UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 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®

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**
Depositary Shares, each representing a 1/1,000th interest in a share of 4.625% Non-Cumulative Preferred Stock, Series D	**BHFAM**	**The Nasdaq Stock Market LLC**
6.250% Junior Subordinated Debentures due 2058	**BHFAL**	**The Nasdaq Stock Market LLC**

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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 June 30, 2021, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $3.8 billion.

As of February 18, 2022, 76,630,436 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement to be filed with the U.S. Securities and Exchange Commission in connection with the registrant's 2022 annual meeting of stockholders (the "2022 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K. Such 2022 Proxy Statement will be filed within 120 days of the registrant's fiscal year ended December 31, 2021.

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Throughout this Annual Report on Form 10-K, "Brighthouse Financial," the "Company," "we," "our" and "us" refer to Brighthouse Financial, Inc. and its subsidiaries, and "BHF" refers solely to Brighthouse Financial, Inc., the ultimate holding company for all of our subsidiaries, and not to any of its subsidiaries. The term "Separation" refers to the separation of a substantial portion of MetLife, Inc.'s (together with its subsidiaries and affiliates, "MetLife") former Retail segment, as well as certain portions of its former Corporate Benefit Funding segment, into a separate, publicly-traded company, Brighthouse Financial, which was completed on August 4, 2017. For definitions of selected financial and product terms used herein, refer to "Glossary."

Note Regarding Forward-Looking Statements and Summary of Risk Factors

This report 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. The list below is also a summary of the material risks and uncertainties that could adversely affect our business, financial condition and results of operations. You should read this summary together with the more detailed description of the risks and uncertainties in "Risk Factors."

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 Financial. 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 universal life with secondary guarantees ("ULSG") policyholder obligations and net income volatility;
- the impact of the ongoing 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 risks associated with climate change;
- 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 events, military actions 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 the Separation 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 U.S. Securities and Exchange Commission ("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 this Annual Report on Form 10-K, 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 Annual Report on Form 10-K is not incorporated by reference in this Annual Report on Form 10-K 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.

Note Regarding Reliance on Statements in Our Contracts

See "Exhibit Index — Note Regarding Reliance on Statements in Our Contracts" for information regarding agreements included as exhibits to this Annual Report on Form 10-K.

PART I

Item 1. Business

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Our Company

We are one of the largest providers of annuity and life insurance products in the U.S. with over 2.7 million annuity contracts and insurance policies in force at December 31, 2021. We deliver our products through multiple independent distribution channels and marketing arrangements with a diverse network of distribution partners. We primarily transact business through our insurance subsidiaries, Brighthouse Life Insurance Company, Brighthouse Life Insurance Company of NY ("BHNY") and New England Life Insurance Company ("NELICO"); however, NELICO does not currently write new business. At December 31, 2021, our insurance subsidiaries had combined statutory total adjusted capital ("TAC") of $9.5 billion, resulting in a combined company action level risk-based capital ("RBC") ratio of approximately 500%.

We believe we are a financially disciplined company with an emphasis on independent distribution and that our strategy of offering a targeted set of products to serve our customers and distribution partners will enhance our ability to invest in our business and distribute cash to our shareholders over time. We also believe that general demographic trends in the U.S. population, the increase in under-insured individuals, the potential risk to governmental social safety net programs and the shifting of responsibility for retirement planning and financial security from employers and other institutions to individuals will create opportunities to generate significant demand for our products.

Risk management of both our in-force book and our new business to enhance sustained, long-term shareholder value is fundamental to our strategy. In writing new business, we prioritize products that provide a risk offset and diversification to our legacy variable annuity products. We assess the value of new products by taking into account the amount and timing of cash flows, the use and cost of capital required to support our financial strength ratings and the cost of risk mitigation. We remain focused on maintaining our strong capital base and excess liquidity at the holding company, and we have established a risk management approach that seeks to mitigate the effects of severe market disruptions and other economic events on our business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management Strategies," "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" and "— Segments and Corporate & Other — Annuities."

Segments and Corporate & Other

We are organized into three segments: Annuities; Life; and Run-off. In addition, we report certain of our results of operations in Corporate & Other. In addition to the discussion that follows, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Segments and Corporate & Other Results for the Years Ended December 31, 2021 and 2020 - Adjusted Earnings" and Note 2 of the Notes to the Consolidated Financial Statements for additional information regarding each of our segments and Corporate & Other. Substantially all of our premiums, universal life and investment-type product policy fees and other revenues originated in the U.S.

AUM for each of our segments, as well as Corporate & Other, was as follows at:

	December 31, 2021			December 31, 2020		
	General Account Investments	Separate Account Assets	Total	General Account Investments	Separate Account Assets	Total
	(In millions)					
Annuities	$ 63,807	$ 105,197	$ 169,004	$ 59,601	$ 103,450	$ 163,051
Life	12,360	6,862	19,222	12,418	6,229	18,647
Run-off	34,223	2,405	36,628	35,322	2,290	37,612
Corporate & Other	7,835	—	7,835	2,190	—	2,190
Total	$ 118,225	$ 114,464	$ 232,689	$ 109,531	$ 111,969	$ 221,500

Annuities

Our 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. In 2013, we began a shift in our business mix towards fixed products with lower guaranteed minimum crediting rates and variable products with less risky living benefits while simultaneously increasing our emphasis on index-linked annuity products. Since 2014, our new sales have primarily consisted of Shield Level Annuities ("Shield" and "Shield Annuities") and variable annuities with simplified living benefits. We have launched new products and refined existing products as we continue to strive to innovate in response to customer and distributor needs and market conditions.

Insurance liabilities of our annuity products were as follows at:

	December 31, 2021			December 31, 2020		
	General Account (1)	Separate Account	Total	General Account (1)	Separate Account	Total
	(In millions)					
Variable	$ 4,743	$ 105,023	$ 109,766	$ 4,895	$ 103,316	$ 108,211
Shield Annuities	21,632	—	21,632	16,047	—	16,047
Fixed deferred	16,136	—	16,136	15,777	—	15,777
Income	4,471	174	4,645	4,688	134	4,822
Total	$ 46,982	$ 105,197	$ 152,179	$ 41,407	$ 103,450	$ 144,857

(1) Excludes reserve liabilities for guaranteed minimum benefits (“GMxB”) and Shield embedded derivatives.

We seek to meet our risk-adjusted return objectives in our Annuities segment through a disciplined risk selection approach and innovative product design, balancing overall profitability with sales growth. We believe we have the underwriting approach, product design capabilities and distribution relationships to permit us to offer new products that meet our risk-adjusted return requirements. We believe these capabilities will enhance our ability to maintain market presence and relevance over the long-term. We intend to meet our risk management objectives by continuing to hedge significant market risks associated with our existing annuity products, as well as new business. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Management Strategies — Variable Annuity Exposure Risk Management.”

Products

Shield Annuities

Our flagship suite of Shield Annuities provide for accumulation of retirement savings or other long-term investments and combine certain features found in both variable and fixed annuities. Shield Annuities are single premium deferred annuity contracts that provide the contract holder with the ability to participate in the appreciation of certain financial markets up to a stated level, while offering protection from a portion of declines. Rather than allocating purchase payments directly into the equity market, the contract holder has an opportunity to participate in the returns of a specified market index. Shield Annuities offer account value and return of premium death benefits. To protect us from premature withdrawals, we impose surrender charges, which are typically applicable during the early years of the annuity contract and decline over time. Surrender charges allow us to recoup amounts we expended to initially market and sell such annuities.

Fixed Deferred Annuities

Fixed deferred annuities are single premium deferred annuity contracts that are designed for growth and to address asset accumulation needs. Purchase payments under fixed deferred annuity contracts are allocated to our general account and interest is credited based on rates we determine for fixed rate annuities or the performance of an index or indices for fixed index annuities (“FIA”), subject to specified guaranteed minimums. Credited interest rates are guaranteed for at least one year. To protect us from premature withdrawals, we impose surrender charges, which are typically applicable during the early years of the annuity contract and decline over time.

Income Annuities

Income annuities are annuity contracts under which the contract holder contributes a portion of their retirement assets in exchange for a steady stream of retirement income, lasting either for a specified period of time or as long as the life of the annuitant. We offer two types of income annuities: immediate income annuities, referred to as “single premium immediate annuities” (“SPIA”) and deferred income annuities (“DIA”). Both products provide guaranteed lifetime income that can be used to supplement other retirement income sources. SPIAs are single premium annuity products that provide a guaranteed level of income, beginning within 12 months from the contract issuance date, to the contract holder for a specified number of years or the duration of the life of the annuitant(s). DIAs differ from SPIAs in that DIAs require the contract holder to wait at least 15 months before income payments commence. SPIAs and DIAs are priced based on considerations consistent with the annuitant’s age, gender and, in the case of DIAs, the deferral period. DIAs provide a pension-like stream of income payments after a specified deferral period.

Variable Annuities

We issue variable annuity contracts that offer contract holders a tax-deferred basis for wealth accumulation and rights to receive a future stream of payments. The contract holder can choose to invest purchase payments in the separate account or, if available, the general account investment options under the contract. For the separate account options, the contract holder can elect among several subaccounts that invest in internally and externally managed investment portfolios. Unless the contract holder has elected to pay for guaranteed minimum living or death benefits, as discussed below, the contract holder bears the entire risk and receives all of the net returns resulting from the investment option(s) chosen. For the general account options, we credit the contract's account value with the net purchase payment and credit interest to the contract holder at rates declared periodically, subject to a guaranteed minimum crediting rate. The account value of most types of general account options is guaranteed and is not exposed to market risk, because the issuing insurance company rather than the contract holder directly bears the risk that the value of the underlying general account investments of the insurance companies may decline.

The majority of the variable annuities we have issued have GMxBs, which we believe make these products attractive to our customers in periods of economic uncertainty. These GMxBs must be elected by the contract holder no later than at the time of issuance of the contract. The primary types of GMxBs are those that guarantee death benefits payable upon the death of a contract holder (guaranteed minimum death benefits, "GMDB") and those that guarantee benefits payable while the contract holder or annuitant is alive (guaranteed minimum living benefits, "GMLB"). There are three primary types of GMLBs: guaranteed minimum income benefits ("GMIB"), guaranteed minimum withdrawal benefits ("GMWB") and guaranteed minimum accumulation benefits ("GMAB").

The guaranteed benefit received by a contract holder pursuant to the GMxBs is calculated based on the benefit base ("Benefit Base"). The calculation of the Benefit Base varies by benefit type and may differ in value from the contract holder's account value for the following reasons:

- The Benefit Base is defined to exclude the effect of a decline in the market value of the contract holder's account value. By excluding market declines, actual claim payments to be made in the future to the contract holder will be determined without giving effect to equity market declines;
- The terms of the Benefit Base may allow it to increase at a guaranteed rate irrespective of the rate of return on the contract holder's account value; or
- The Benefit Base may also increase with subsequent purchase payments, after the initial purchase payment made by the contract holder at the time of issuance of the contract, or at the contract holder's election with an increase in the account value due to market performance.

GMxBs provide the contract holder with protection against the possibility that a downturn in the markets will reduce the certain specified benefits that can be claimed under the contract. The principal features of our in-force block of variable annuity contracts with GMxBs are as follows:

- GMDBs, a contract holder's beneficiaries are entitled to the greater of (a) the account value or (b) the Benefit Base upon the death of the annuitant;
- GMIBs, a contract holder is entitled to annuitize the policy after a specified period of time and receive a minimum amount of lifetime income based on predetermined payout factors and the Benefit Base, which could be greater than the account value;
- GMWBs, a contract holder is entitled to withdraw a maximum amount of their Benefit Base each year, which could be greater than the underlying account value; and
- GMABs, a contract holder is entitled to a percentage of the Benefit Base, which could be greater than the account value, after the specified accumulation period, regardless of actual investment performance.

Variable annuities may have more than one type of GMxB. For example, variable annuities with a GMLB may also have a GMDB. Additional detail concerning our GMxBs is provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management Strategies — Variable Annuity Exposure Risk Management."

Variable Annuity Fees

We earn various types of fee revenue based on account value, fund assets and the Benefit Base for contracts that invest through a separate account. In general, GMxB fees calculated based on the Benefit Base are more stable in market downturns compared to fees based on the account value. We earned fees and charges on our variable annuity contracts that

invest through a separate account of $3.1 billion and $2.9 billion, net of pass-through amounts, for the years ended December 31, 2021 and 2020, respectively. In addition to fee revenue, we also earn a spread on the portion of the account value allocated to the general account.

Mortality & Expense Fees and Administrative Fees. We earn mortality and expense fees (“M&E Fees”), as well as administrative fees on our variable annuity contracts. M&E Fees are calculated based on the portion of the contract holder’s account value allocated to the separate accounts and are expressed as an annual percentage deducted daily. These fees are used to offset the insurance and operational expenses relating to our variable annuity contracts. Additionally, the administrative fees are charged either based on the daily average of the net asset values in the subaccounts or when contracts fall below minimum values based on a flat annual fee per contract.

Surrender Charges. Most, but not all, variable annuity contracts (depending on their share class) may also impose surrender charges on withdrawals for a period of time after the purchase and in certain products for a period of time after each subsequent deposit, also known as the surrender charge period. A surrender charge is a deduction of a percentage of the contract holder’s account value prior to distribution to him or her. Surrender charges generally decline gradually over the surrender charge period, which can range from zero to 10 years. Our variable annuity contracts typically permit contract holders to withdraw up to 10% of their account value each year without any surrender charge, however, their guarantees may be significantly impacted by such withdrawals. Contracts may also specify circumstances when no surrender charges apply, for example, upon payment of a death benefit.

Investment Management Fees. We charge investment management fees for managing the proprietary mutual funds managed by our subsidiary, Brighthouse Investment Advisers, LLC (“Brighthouse Advisers”), that are offered as investments under our variable annuities. Investment management fees are also paid on the non-proprietary funds managed by investment advisors unaffiliated with us, to the unaffiliated investment advisors. Investment management fees differ by fund. A portion of the investment management fees charged on proprietary funds managed by subadvisors unaffiliated with us are paid by us to the subadvisors. Investment management fees reduce the net returns on the variable annuity investments.

12b-1 Fees and Other Revenue. 12b-1 fees are paid by the mutual funds which our contract holders chose to invest in and are calculated based on the net assets of the funds allocated to our subaccounts. These fees reduce the returns contract holders earn from these funds. Additionally, mutual fund companies with funds which are available to contract holders through the variable annuity subaccounts pay us fees consistent with the terms of administrative service agreements. These fees are funded from the fund companies’ net revenues. See Note 11 of the Notes to the Consolidated Financial Statements for additional information on 12b-1 fees.

Death Benefit Rider Fees. We may earn fees in addition to the base M&E fees for promising to pay GMDBs. The fees earned vary by generation and rider type. For some death benefits, the fees are calculated based on account value, but for enhanced death benefits (“EDB”), the fees are normally calculated based on the Benefit Base. In general, these fees were set at a level intended to be sufficient to cover the anticipated expenses of covering claim payments and hedge costs associated with these benefits. These fees are deducted from the account value.

Living Benefit Rider Fees. We earn these fees for promising to pay guaranteed benefits while the contract holder is alive, such as for any type of GMLB (including GMIBs, GMWBs and GMABs). The fees earned vary by generation and rider type and are typically calculated based on the Benefit Base and deducted from account value. These fees are set at a level intended to be sufficient to cover the anticipated expenses of covering claim payments and hedge costs associated with these benefits.

Pricing and Risk Selection

Product pricing reflects our pricing standards and guidelines. Annuities are priced based on various factors, which may include investment returns, expenses, persistency, longevity, policyholder behavior and equity market and interest rate scenarios.

Rates for annuity products are highly regulated and must generally be approved by the regulators of the jurisdictions in which the product is sold. The offer and sale of variable annuity products are regulated by the SEC. Generally, these products include pricing terms that are guaranteed for a certain period of time. Such products generally include surrender charges for early withdrawals and fees for guaranteed benefits. We periodically reevaluate the costs associated with such guarantees and may adjust pricing levels accordingly. Further, from time to time, we may also reevaluate the type and level of guarantee features being offered.

We continually review our pricing guidelines in light of applicable regulations and to ensure that our policies remain competitive and supportive of our marketing strategies and profitability goals.

Evolution of our Variable Annuity Business

Our in-force variable annuity block reflects a wide variety of product offerings within each type of guarantee, reflecting the changing nature of these products over the past two decades. The changes in product features and terms over time are driven partially by customer demand and also reflect our continually refined evaluation of the guarantees, their expected long-term claims costs and the most effective market risk management strategies.

We introduced our first variable annuity product over 50 years ago and began offering GMIBs, which were our first living benefit riders, in 2001. The design of our more recent generations of GMIBs have been modified to reduce payouts in certain circumstances. Beginning in 2009, we reduced the minimum payments we guaranteed if the contract holder were to annuitize; in 2012 we began to reduce the guaranteed portion of account value up to a percentage of the Benefit Base ("roll-up rates"); and, after first reducing the maximum equity allocation in separate accounts, in 2011 we introduced managed volatility funds for all of our GMIBs. We ceased offering GMABs and GMIBs for new purchases in 2016 and, to the extent permitted, we suspended subsequent premium payments on all but our final generation of GMIBs. While we added GMWBs to our variable annuity product suite in 2003, we shifted our marketing focus from GMIBs to GMWBs in 2015 with the release of FlexChoice^{SM}, a GMWB with lifetime payments ("GMWB4L"). In 2018, we launched an updated version of FlexChoice^{SM}, "Flex Choice Access" to provide financial advisors and their clients more investment flexibility.

We introduced Shield Annuities in 2013 and expect to continue to increase sales of Shield Annuities due to growing consumer demand. In addition, we believe Shield Annuities provide us with risk offset to the GMxBs offered in our traditional variable annuity products. At December 31, 2021, there was $21.6 billion of policyholder account balances for Shield Annuities.

We intend to focus on selling the following products with the goal of continuing to diversify and better manage our in-force block:

- Shield Annuities;
- variable annuities with GMWBs; and
- variable annuities with GMDB only.

Deposits for our Shield Annuities and variable annuities were as follows:

	Years Ended December 31,		
	2021	2020	2019
	(In millions)		
Shield Annuities	$ 6,201	$ 4,338	$ 4,459
GMWB	1,548	1,281	912
GMDB only	376	337	310
GMIB	76	83	84
Total	$ 8,201	$ 6,039	$ 5,765

Guaranteed Minimum Death Benefits

Since 2001, we have offered a variety of GMDBs to our contract holders, which include the following (with no additional charge unless noted):

- *Account Value Death Benefit*. The Account Value Death Benefit returns the account value at the time of the claim with no imposition of surrender charges.
- *Return of Premium Death Benefit*. The Return of Premium Death Benefit, also referred to as Principal Protection, comes standard with many of our base contracts and pays the greater of the contract holder's account value at the time of the claim or their total purchase payments, adjusted proportionately for any withdrawals.
- *Interval Reset Death Benefit*. The Interval Reset Death Benefit enables the contract holder to lock in their guaranteed death benefit on the interval anniversary date with this level of death benefit being reset (either up or down) on the next interval anniversary date. This may only be available through a maximum age. This death benefit pays the greater of the contract holder's account value at the time of the claim, their total purchase payments, adjusted proportionately for any withdrawals, or the interval reset value, adjusted proportionally for any withdrawals. We no longer offer this guarantee.

- *Annual Step-Up Death Benefit*. Contract holders may elect, for an additional fee, the option to step-up their guaranteed death benefit on any contract anniversary through age 80. The Annual Step-Up Death Benefit allows for the contract holder to lock in the high-water mark on their death benefit adjusted proportionally for any withdrawals. This death benefit may only be elected at issue through age 79. Fees charged for this benefit are usually based on account value. This death benefit pays the greater of the contract holder's account value at the time of the claim, their total purchase payments, adjusted proportionately for any withdrawals, or the highest anniversary value, adjusted proportionally for any withdrawals.
- *Combination Death Benefit*. Contract holders may elect, for an additional fee, a combination death benefit that, in addition to the Annual Step-Up Death Benefit as described above, includes a roll-up feature which accumulates aggregate purchase payments at a predetermined roll-up rate, as adjusted for withdrawals. Two principal versions of this guaranteed death benefit are:
    - *Compounded-Plus Death Benefit*. The death benefit is the greater of (i) the account value at time of the claim, (ii) the highest anniversary value (highest anniversary value/high-water mark through age 80, adjusted proportionately for any withdrawals) or (iii) a roll-up Benefit Base, which rolls up through age 80, and is adjusted proportionally for withdrawals. Fees for this benefit are calculated and charged against the account value. We ceased offering this rider in 2013.
    - *Enhanced Death Benefit*. The death benefit is equal to the Benefit Base which is defined as the greater of (i) the highest anniversary value Benefit Base (highest anniversary value/high-water mark through age 80, adjusted proportionately for any withdrawals) or (ii) a roll-up benefit, which may apply to the step-up (roll-up applies through age 90), which allows for dollar-for-dollar withdrawals up to the permitted amount for that contract year and proportional adjustments for withdrawals in excess of the permitted amount. The fee may be increased upon step-up of the roll-up Benefit Base. Fees charged for this benefit are calculated based on the Benefit Base and charged annually against the account value. We no longer offer the Enhanced Death Benefit.

In addition, we currently also offer an optional death benefit for an additional fee with our FlexChoice[SM] GMWB4L riders, available at issue through age 65, which has a similar level of death benefit protection as the Benefit Base for the living benefit rider. However, the Benefit Base for this death benefit is adjusted for all withdrawals.

Our variable annuity account values and Benefit Base by type of GMDB were as follows at:

	December 31, 2021 (1)		December 31, 2020 (1)	
	Account Value	Benefit Base	Account Value	Benefit Base
	(In millions)			
Account value	$ 3,568	$ 2,998	$ 3,424	$ 2,899
Return of premium	49,344	49,717	48,091	48,488
Interval reset	6,442	6,646	6,097	6,302
Annual step-up	22,378	22,790	22,236	22,605
Combination (2)	28,236	33,576	28,572	34,011
Total	$ 109,968	$ 115,727	$ 108,420	$ 114,305

(1) Many of our annuity contracts offer more than one type of guarantee such that certain death benefit guarantee amounts included in this table may also be included in the GMLBs table below.

(2) Includes Compounded-Plus Death Benefit, Enhanced Death Benefit, and FlexChoice[SM] death benefit.

Guaranteed Minimum Living Benefits

Our in-force block of variable annuities consists of three varieties of GMLBs, including variable annuities with GMIBs, GMWBs and GMABs. Based on total account value, approximately 78% and 79% of our variable annuity block included living benefit guarantees at December 31, 2021 and 2020, respectively.

GMIBs. GMIBs are our largest block of living benefit guarantees based on in-force account value. Contract holders must wait for a defined period, usually 10 years, before they can elect to receive income through guaranteed annuity payments. This initial period when the contract holder invests their account value in the separate or general account to grow on a tax-deferred basis is often referred to as the accumulation phase. The contract holder may elect to continue the accumulation phase beyond the waiting period in order to maintain access to their account value or continue to

participate in the potential growth of both the account value and Benefit Base pursuant to the contract terms. During the accumulation phase, the contract holder still has access to their account value through the following choices, although their Benefit Base may be adjusted downward consistent with these choices:

- Partial surrender or withdrawal to a maximum specified amount each year (typically 10% of account value). This action does not trigger surrender charges, but the Benefit Base is adjusted downward depending on the contract terms;
- Full surrender or lapse of the contract, with the net proceeds paid to the contract holder being the then prevailing account value less surrender charges defined in the contract; or
- Limited “Dollar-for-Dollar Withdrawal” from the account value as described below.

The second phase of the contract starts upon annuitization. The occurrence and timing of annuitization depends on how contract holders choose to utilize the multiple benefit options available to them in their annuity contract. Below are examples of contract holder benefit utilization choices that can affect benefit payment patterns and reserves:

- *Lapse*. The contract holder may lapse or exit the contract, at which time all GMxB guarantees are canceled. If he or she partially exits, the GMxB Benefit Base may be reduced in accordance with the contract terms.
- *Use of Guaranteed Principal Option after Waiting Period*. For certain GMIB contracts issued since 2005, the contract holder has the option to receive a lump-sum return of initial premium less withdrawals (the Benefit Base does not apply) in exchange for cancellation of the GMIB optional benefit.
- *Dollar-for-Dollar Withdrawal*. The contract holder may, in any year, withdraw, without penalty and regardless of the underlying account value, a portion of their account value up to the roll-up rate. The withdrawal reduces the contract holder’s Benefit Base “dollar-for-dollar.” If making such withdrawals in combination with market movements reduces the account value to zero, the contract may have an automatic annuitization feature, which entitles the contract holder to receive a stream of lifetime (with period certain) annuity payments based on a variety of factors, including the Benefit Base, the age and gender of the annuitant, and predetermined annuity interest rates and mortality rates. The Benefit Base depends on the contract terms, but the majority of our in-force annuities have a greater of roll-up or step-up combination Benefit Base similar to the roll-up and step-up Benefit Base described above in “— Guaranteed Minimum Death Benefits.” Any withdrawal greater than the roll-up rate would result in a penalty which may be a proportional reduction in the Benefit Base.
- *Elective Annuitization*. The contract holder may elect to annuitize the account value or exercise the guaranteed annuitization under the GMIB. The guaranteed annuitization entitles the contract holder to receive a stream of lifetime (with period certain) annuity payments based on the same factors that would be used as if the contract holder elected to annuitize.
- *Do Nothing*. If the contract holder elects to continue to remain in the accumulation phase past the maximum age for electing annuitization under the GMIB and the account value has not depleted to zero, then the contract will continue as a variable annuity with a death benefit. The Benefit Base for the death benefit may be the same as the Benefit Base for the GMIB.

Contract holder behavior around choosing a particular option cannot be predicted with certainty at the time of contract issuance or thereafter. The incidence and timing of benefit elections and the resulting benefit payments may differ materially from those we anticipate at the time we issue a variable annuity contract. As we observe actual contract holder behavior, we periodically update our assumptions with respect to contract holder behavior and take appropriate action with respect to the amount of the reserves we establish for the future payment of such benefits. 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” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates.”

We have employed several risk exposure reduction strategies at the product level. These include reducing the interest rates used to determine annuity payout rates on GMIBs from 2.5% to 0.5% over time, partially in response to sustained low interest rates. In addition, we increased the setback period used to determine the annuity payout rates for contract holders from seven years to 10 years. For example, a 10-year age setback would determine actual annuitization monthly payout rates for a contract holder assuming they were 10 years younger than their actual age at the time of annuitization, thereby reducing the monthly guaranteed annuity claim payments. We have also reduced the guaranteed roll-up rates from 6% to 4%.

Additionally, we introduced limitations on fund selections inside certain legacy variable annuity contracts. In 2005, we reduced the maximum equity allocation in the separate accounts. Further, in 2011 we introduced managed volatility funds to our fund offerings in conjunction with the introduction of our last generation GMIB product "Max." Approximately 31% and 32% of GMIB total account value at December 31, 2021 and 2020, respectively, was invested in managed volatility funds. The managers of these funds seek to reduce the risk of large, sudden declines in account value during market downturns by managing the volatility or draw-down risk of the underlying fund holdings by rebalancing the fund holdings within certain guidelines or overlaying hedging strategies at the fund level. We believe that these risk mitigation actions at the fund level reduce the amount of hedging or reinsurance we require to manage our risks arising from guarantees we provide on the underlying variable annuity separate accounts.

GMWBs. GMWBs have a Benefit Base that contract holders may roll up for up to 10 years. If contract holders take withdrawals early, the roll-up may be less than 10 years. This is in contrast to GMIBs, in which roll ups may continue beyond 10 years. Therefore, the roll-up period for the Benefit Base on GMWBs is typically less uncertain and is shorter than those on GMIBs. Additionally, the contract holder may receive income only through withdrawal of their Benefit Base. These withdrawal percentages are defined in the contract and differ by the age when contract holders start to take withdrawals. Withdrawal rates may differ if they are offered on a single contract holder or a couple (joint life). GMWBs primarily come in two versions depending on if they are period certain or if they are lifetime payments, GMWB4L.

GMABs. GMABs guarantee a minimum amount of account value to the contract holder after a set period of time, which can also include locking in capital markets gains. This protects the value of the annuity from market fluctuations.

Our variable annuity account value and Benefit Base by type of GMLB were as follows at:

	December 31, 2021 (1)		December 31, 2020 (1)	
	Account Value (2)	Benefit Base	Account Value (2)	Benefit Base
	(In millions)			
GMIB	$ 59,735	$ 70,717	$ 60,669	$ 72,060
GMWB	25,322	23,319	23,791	21,036
GMAB	750	534	723	546
Total	$ 85,807	$ 94,570	$ 85,183	$ 93,642

(1) Many of our annuity contracts offer more than one type of guarantee such that certain living benefit guarantee amounts included in this table may also be included in the GMDBs table above.

(2) Total account value includes investments in the general account totaling $4.7 billion and $4.9 billion at December 31, 2021 and 2020, respectively.

Net Amount at Risk

The 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 GMWB is the amount of guaranteed benefits in excess of the account values (if any) as of the balance sheet date and assumes utilization of benefits by all contract holders as of the balance sheet date. Only a small portion of the Benefit Base is available for withdrawal on an annual basis.

The NAR for the GMAB is the amount of guaranteed benefits in excess of the account values (if any) as of the balance sheet date and assumes utilization of benefits by all contract holders as of the balance sheet. The NAR for the GMAB is not available until the GMAB maturity date.

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.

Our variable annuity account value and NAR by type of GMxB were as follows at:

	December 31, 2021				December 31, 2020			
	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	$ 42,328	$ 1,809	$ 5,056	37.3 %	$ 42,693	$ 1,930	$ 6,482	49.0 %
GMIB Max with EDB	11,118	2,926	155	13.1 %	11,457	2,869	173	16.7 %
GMIB Max without EDB	6,289	3	29	4.8 %	6,524	2	37	7.2 %
GMWB	25,322	139	680	23.2 %	23,791	121	869	25.0 %
GMAB	750	1	1	0.6 %	723	1	1	0.2 %
GMDB only (other than EDB)	20,233	935	—	N/A	19,328	959	—	N/A
EDB only	3,928	548	—	N/A	3,908	556	—	N/A
Total	$ 109,968	$ 6,361	$ 5,921		$ 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.

Reserves

Under accounting principles generally accepted in the United States of America ("GAAP"), certain of our variable annuity guarantee features are accounted for as insurance liabilities and reported in future policy benefits on the consolidated balance sheets with changes reported in policyholder benefits and claims on the consolidated statements of operations. 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 $6.2 billion at December 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 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 in policyholder account balances on the consolidated balance sheets with changes reported in net derivative gains (losses) on the consolidated statements of operations. These liabilities, valued at $1.8 billion at December 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 Annuities are accounted for as embedded derivatives ("Shield liabilities") and reported in policyholder account balances on the consolidated balance sheets with changes reported in net derivative gains (losses) on the consolidated statements of operations. These liabilities, valued at $6.1 billion at December 31, 2021, are accounted for at estimated fair value.

Our variable annuity reserves by type of GMxB were as follows at:

	December 31, 2021			December 31, 2020		
	Future Policy Benefits	Policyholder Account Balances	Total Reserves	Future Policy Benefits	Policyholder Account Balances	Total Reserves
	(In millions)					
GMIB	$ 3,374	$ 1,787	$ 5,161	$ 3,499	$ 2,496	$ 5,995
GMIB Max	967	(36)	931	871	153	1,024
GMWB	327	97	424	291	270	561
GMAB	—	—	—	—	1	1
GMDB	1,535	—	1,535	1,355	—	1,355
Total	$ 6,203	$ 1,848	$ 8,051	$ 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." Furthermore, changes in policyholder behavior assumptions can result in additional changes in accounting estimates.

Life

Our 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 on a tax-advantaged basis. While our in-force book reflects a broad range of life products, we are currently focused on term life products and an indexed universal life product with long-term care benefits, consistent with our financial objectives, with a concentration on design and profitability over volume. By managing our in-force book of business, we expect to generate future revenue and profits from premiums, investment margins, expense margins, mortality margins, morbidity margins and surrender fees. We aim to maximize our profits by focusing on efficiency in order to continue to reduce the cost basis and underwriting expenses. Our life insurance in-force book provides natural diversification to our Annuities segment and is a source of future profits.

Insurance liabilities of our life insurance products were as follows at:

	December 31, 2021			December 31, 2020		
	General Account	Separate Account	Total	General Account	Separate Account	Total
	(In millions)					
Term	$ 2,587	$ —	$ 2,587	$ 2,626	$ —	$ 2,626
Whole	3,003	—	3,003	2,829	—	2,829
Universal	2,044	—	2,044	2,021	—	2,021
Variable	1,226	6,862	8,088	1,294	6,229	7,523
Total	$ 8,860	$ 6,862	$ 15,722	$ 8,770	$ 6,229	$ 14,999

The in-force face amount and direct premiums received for our life insurance products were as follows:

	In-Force Face Amount		Premiums		
	December 31,		Years Ended December 31,		
	2021	2020	2021	2020	2019
	(In millions)				
Term	$ 376,022	$ 388,298	$ 577	$ 601	$ 668
Whole	$ 18,819	$ 19,585	$ 418	$ 442	$ 456
Universal	$ 11,531	$ 12,023	$ 176	$ 186	$ 189
Variable	$ 37,532	$ 38,899	$ 187	$ 205	$ 240

Products

Term Life

Term life products are designed to provide a fixed death benefit in exchange for a guaranteed level premium to be paid over a specified period of time. In September 2019, we suspended sales of our 10- to 30-year level premium term products and, in June 2020, we launched a new term product with 10-, 20- or 30-year level premium term options. We also offer a one-year term option. Our term life products do not include any cash value, accumulation or investment components. As a result, they are our most basic life insurance product offering and generally have lower premiums than other forms of life insurance. Term life products may allow the policyholder to continue coverage beyond the guaranteed level premium period, generally at an elevated cost. Some of our term life policies allow the policyholder to convert the policy during the conversion period to a permanent policy. Such conversion does not require additional medical or financial underwriting. Term life products allow us to spread expenses over a large number of policies while gaining mortality insights that come from high policy volumes.

Universal Life

We have a significant in-force book of universal life policies and currently offer an indexed universal life product with long-term care benefits. Universal life products typically provide a death benefit in return for payment of specified annual policy charges that are generally related to specific costs, which may change over time. To the extent that the policyholder chooses to pay more than the charges required in any given year to keep the policy in-force, the excess premium will be added to the cash value of the policy and credited with a stated interest rate. This structure gives policyholders flexibility in the amount and timing of premium payments, subject to tax guidelines. Consequently, universal life policies can be used in a variety of different ways. Our indexed universal life product launched in early 2019, which we market as a hybrid life insurance and long-term care policy, allows policyholders to pay for qualified long-term care expenses by accelerating a significant portion of the face amount of the policy over a period of time. After that period of time, the policyholder may continue to receive benefits up to their maximum monthly amount for up to four additional years.

Whole Life

We currently offer a non-participating conversion whole life product that is available for term and group conversions and to satisfy other contractual obligations. We have a significant in-force book of both participating and non-participating whole life policies. Whole life products provide a guaranteed death benefit in exchange for a guaranteed level premium for a specified period of time in order to maintain coverage for the life of the insured. Whole life products also have guaranteed minimum cash surrender values. Our in-force whole life products provide for participation in the returns generated by the business, delivered to the policyholder in the form of non-guaranteed dividend payments. The policyholder can elect to receive the dividends in cash or to use them to increase the paid-up policy death benefit or pay the required premium. They can also be used for other purposes, including payment of loans and loan interest. The versatility of whole life allows it to be used for a variety of purposes beyond just the primary purpose of death benefit protection. With our in-force policies, the policyholder can withdraw or borrow against the policy (sometimes on a tax favored basis).

Variable Life

We have a significant in-force book of variable life policies, but do not currently offer variable life policies. We may choose to issue additional variable life products in the future. Variable life products operate similarly to universal life products, with the additional feature that the excess amount paid over policy charges can be directed by the policyholder into a variety of separate account investment options. In certain separate account investment options, the policyholder bears the entire risk of the investment results. We collect specified fees for the management of the investment options in addition to the base policy charges. In some instances, third-party asset management firms manage these investment options. The policyholder’s cash value reflects the investment return of the selected investment options, net of management fees and insurance-related charges. With some products, by maintaining a certain premium level, policyholders may also have the advantage of various guarantees designed to protect the death benefit from adverse investment experience.

Pricing and Underwriting

Pricing

Life insurance pricing at issuance is based on the expected payout of benefits calculated using our assumptions for mortality, morbidity, premium payment patterns, sales mix, expenses, persistency and investment returns, as well as certain macroeconomic factors, such as inflation. Our product pricing models consider additional factors, such as hedging costs, reinsurance programs, and capital requirements. Our product pricing reflects our pricing standards and guidelines. We continually review our pricing guidelines in light of applicable regulations and to ensure that our policies remain competitive and supportive of our marketing strategies and profitability goals.

We have established important controls around management of underwriting and pricing processes, including regular experience studies to monitor assumptions against expectations, formal new product approval processes, periodic updates to product profitability studies and the use of reinsurance to manage our exposures, as appropriate.

Underwriting

Underwriting generally involves an evaluation of applications by a professional staff of underwriters and actuaries, who determine the type and the amount of insurance risk that we are willing to accept. We employ detailed underwriting policies, guidelines and procedures designed to assist the underwriters to properly assess and quantify such risks before issuing policies to qualified applicants or groups.

Insurance underwriting may consider not only an insured's medical history, but also other factors such as the insured's foreign travel, vocations, alcohol, drug and tobacco use, and the policyholder's financial profile. We generally perform our own underwriting; however, certain policies are reviewed by intermediaries under guidelines established by us. Requests for coverage are reviewed on their merits and a policy is not issued unless the particular risk has been examined and approved in accordance with our underwriting guidelines.

The underwriting conducted by our corporate underwriting office and intermediaries is subject to periodic quality assurance reviews to maintain high standards of underwriting and consistency. The office is also subject to periodic external audits by reinsurers with whom we do business.

We have established oversight of the underwriting process that facilitates quality sales and serves the needs of our customers, while supporting our financial strength and business objectives. Our goal is to achieve the underwriting, mortality and morbidity levels reflected in the assumptions in our product pricing. This is accomplished by determining and establishing underwriting policies, guidelines, philosophies and strategies that are competitive and suitable for the customer, the agent and us.

We continually review our underwriting guidelines (i) in light of applicable regulations and (ii) to ensure that our practices remain competitive and supportive of our marketing strategies, emerging industry trends and profitability goals.

Run-off

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

Insurance liabilities of our annuity contracts and life insurance policies reported in our Run-off segment were as follows at:

	December 31, 2021			December 31, 2020		
	General Account	Separate Account	Total	General Account	Separate Account	Total
	(In millions)					
Annuities (1)	$ 10,612	$ 21	$ 10,633	$ 11,544	$ 22	$ 11,566
Life (2)	19,787	2,384	22,171	19,652	2,268	21,920
Total	$ 30,399	$ 2,405	$ 32,804	$ 31,196	$ 2,290	$ 33,486

(1) Includes $3.4 billion and $3.7 billion of pension risk transfer general account liabilities at December 31, 2021 and 2020, respectively.

(2) Includes $19.1 billion and $18.9 billion of general account liabilities associated with our ULSG business at December 31, 2021 and 2020, respectively.

Corporate & Other

Corporate & Other contains the excess capital not allocated to the segments and interest expense related to our 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, activities related to funding agreements associated with our institutional spread margin business, as well as direct-to-consumer life insurance that is no longer actively sold.

Reinsurance Activity

Unaffiliated Third-Party Reinsurance

In connection with our risk management efforts and in order to provide opportunities for growth and capital management, we enter into reinsurance arrangements pursuant to which we cede certain insurance risks to unaffiliated reinsurers. We cede risks to third parties in order to limit losses, minimize exposure to significant risks and provide capacity for future growth. We enter into various agreements with reinsurers that cover groups of risks, as well as individual risks. Our ceded reinsurance to third parties is primarily structured on a treaty basis as coinsurance, yearly renewable term, excess or catastrophe excess of retention insurance. These reinsurance arrangements are an important part of our risk management strategy because they permit us to spread risk and minimize the effect of losses. The extent of each risk retained by us depends on our evaluation of the specific risk, subject, in certain circumstances, to maximum retention limits based on the characteristics and relative cost of reinsurance. We also cede first dollar mortality risk under certain contracts. In addition to reinsuring mortality risk, we cede other risks, as well as specific coverages.

Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse us for the ceded amount in the event that we pay a claim. Cessions under reinsurance agreements do not discharge our obligations as the primary insurer. In the event the reinsurers do not meet their obligations under the terms of the reinsurance agreements, reinsurance recoverable balances could become uncollectible.

We have historically reinsured the mortality risk on our life insurance policies primarily on an excess of retention basis or on a quota share basis. When we cede risks to a reinsurer on an excess of retention basis we retain the liability up to a contractually specified amount and the reinsurer is responsible for indemnifying us for amounts in excess of the liability we retain, subject sometimes to a cap. When we cede risks on a quota share basis we share a portion of the risk within a contractually specified layer of reinsurance coverage. We reinsure on a facultative basis for risks with specified characteristics. On a case-by-case basis, we may retain up to $20 million per life and reinsure 100% of the risk in excess of the amount we retain. We also reinsure portions of the risk associated with certain whole life policies to a former affiliate and we assume certain term life policies and universal life policies with secondary death benefit guarantees issued by a former affiliate. We routinely evaluate our reinsurance program and may increase or decrease our retention at any time.

Our reinsurance is diversified with a group of primarily highly rated reinsurers. We analyze recent trends in arbitration and litigation outcomes in disputes, if any, with our reinsurers and monitor ratings and the financial strength of our reinsurers. In addition, the reinsurance recoverable balance due from each reinsurer and the recoverability of such balance is evaluated as part of this overall monitoring process. We generally secure large reinsurance recoverable balances with various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit.

We reinsure, through 100% quota share reinsurance agreements, certain run-off long-term care and workers’ compensation business that we originally wrote. For products in our Run-off segment other than ULSG, we have periodically engaged in reinsurance activities on an opportunistic basis.

Our ordinary course net reinsurance recoverables from unaffiliated third-party reinsurers at December 31, 2021 were as follows:

	Reinsurance Recoverables	A.M. Best Financial Strength Rating (1)
	(In millions)	
MetLife, Inc.	$ 3,261	A+
The Travelers Co (2)	529	A++
RGA	433	A+
Munich Re	410	A+
SCOR	324	A+
Swiss Re	317	A+
Venerable Holdings, Inc.	192	NR
Aegon NV	115	A
Other	457	
Allowance for credit losses	(10)	
Total	$ 6,028	

(1) These financial strength ratings are the most currently available for our reinsurance counterparties and reflect the ratings of the ultimate parent companies of such counterparties, as there may be numerous subsidiary counterparties to each listed parent.

(2) Relates to a block of workers' compensation insurance policies reinsured in connection with MetLife's acquisition of The Travelers Insurance Company ("Travelers") from Citigroup, Inc. ("Citigroup").

NR = Not rated

In addition, a block of long-term care insurance business with reserves of $6.6 billion at December 31, 2021 is reinsured to Genworth Life Insurance Company and Genworth Life Insurance Company of New York (collectively, the "Genworth reinsurers") who further retroceded this business to Union Fidelity Life Insurance Company ("UFLIC"), an indirect subsidiary of General Electric Company ("GE"). We acquired this block of long-term care insurance business in 2005 when our former parent acquired Travelers from Citigroup. Prior to the acquisition, Travelers agreed to reinsure a 90% quota share of its long-term care business to certain affiliates of GE, which following a spin-off became part of Genworth, and subsequently agreed to reinsure the remaining 10% quota share of such long-term care insurance business. The Genworth reinsurers established trust accounts for our benefit to secure their obligations under such arrangements requiring that they maintain qualifying collateral with an aggregate fair market value equal to at least 102% of the statutory reserves attributable to the long-term care business. Additionally, Citigroup agreed to indemnify us for losses and certain other payment obligations we might incur with respect to this block of reinsured long-term care insurance business. The most currently available financial strength rating for each of the Genworth reinsurers is C++ from A.M. Best, and Citigroup's credit ratings are A3 from Moody's and BBB+ from S&P. In February 2021, we received a demand for arbitration from the Genworth reinsurers seeking authorization to withdraw certain amounts from the trust accounts.

See "Risk Factors — Risks Related to Our Business — If the counterparties to our reinsurance or indemnification arrangements or to the derivatives we use to hedge our business risks default or fail to perform, we may be exposed to risks we had sought to mitigate, which could materially adversely affect our financial condition and results of operations." Further, as disclosed in Genworth's filings with the SEC, UFLIC has established trust accounts for the Genworth reinsurers' benefit to secure UFLIC's obligations under its arrangements with them concerning this block of long-term care insurance business, and GE has also agreed, under a capital maintenance agreement, to maintain sufficient capital in UFLIC to maintain UFLIC's RBC above a specified minimum level.

Affiliated Reinsurance

Affiliated reinsurance companies are affiliated insurance companies licensed under specific provisions of insurance law of their respective jurisdictions, such as the Special Purpose Financial Captive law adopted by several states including Delaware.

Brighthouse Reinsurance Company of Delaware ("BRCD"), our reinsurance subsidiary, was formed to manage our capital and risk exposures and to support our term life insurance and ULSG businesses through the use of affiliated

reinsurance arrangements and related reserve financing. BRCD is capitalized with cash and invested assets, including funds withheld, at a level we believe to be sufficient to satisfy its future cash obligations under a variety of scenarios, including a permanent level yield curve and interest rates at lower levels, consistent with National Association of Insurance Commissioners ("NAIC") cash flow testing scenarios. BRCD utilizes reserve financing to cover the difference between the sum of the fully required statutory assets (i.e., NAIC Valuation of Life Insurance Policies Model Regulation ("Regulation XXX") and NAIC Actuarial Guideline 38 ("Guideline AXXX") reserves) and the target risk margin less cash, invested assets and funds withheld, on BRCD's statutory statements. An admitted deferred tax asset could also serve to reduce the amount of funding required on a statutory basis under BRCD's reserve financing. See Notes 9 and 10 of the Notes to the Consolidated Financial Statements for additional information regarding BRCD's reserve financing.

BRCD provides certain benefits to Brighthouse Financial, including (i) enhancing our ability to hedge the interest rate risk of our reinsurance liabilities, (ii) allowing increased allocation flexibility in managing our investment portfolio, and (iii) improving operating flexibility and administrative cost efficiency, however there can be no assurance that such benefits will continue to materialize. See "Risk Factors — Risks Related to Our Business — We may not be able to take credit for reinsurance, our statutory life insurance reserve financings may be subject to cost increases and new financings may be subject to limited market capacity" and "— Regulation — Insurance Regulation."

Catastrophe Coverage

We have exposure to catastrophes which could contribute to significant fluctuations in our results of operations. We use excess of retention and quota share reinsurance agreements to provide greater diversification of risk and minimize exposure to larger risks. See "Risk Factors — Risks Related to Our Business — Extreme mortality events may adversely impact liabilities for policyholder claims."

Sales Distribution

We distribute our annuity and life insurance products through multiple independent distribution channels and marketing arrangements with a geographically diverse network of over 400 distribution partners. We have successfully built independent distribution relationships since 2001.

Our annuity products are distributed through national and regional broker-dealers, banks, independent financial planners, independent marketing organizations and other financial institutions and financial planners. Our life insurance products are distributed through national and regional broker-dealers, general agencies, financial advisors, brokerage general agencies, banks, financial intermediaries and online marketplaces. We believe this strategy permits us to maximize penetration of our target markets and distribution partners without incurring the fixed costs of maintaining a proprietary distribution channel and will facilitate our ability to quickly comply with evolving regulatory requirements applicable to the sale of our products.

In furtherance of our strategy, we provide certain key distributors with focused product, sales and technology support through our strategic relationship managers ("SRM") and internal and external wholesalers.

Strategic Relationship Managers

Our SRMs serve as the principal contact for our largest annuity and life insurance distributors and coordinate the relationship between Brighthouse Financial and the distributor. SRMs provide an enhanced level of service to partners that require more resources to support their larger distribution network. SRMs are responsible for tracking and providing certain key distributors with sales and activity data. They participate in business planning sessions with our distributors and are critical to providing us with insights into the product design, education and other support requirements of our principal distributors. They are also responsible for proactively addressing relationship issues with our distributors.

Wholesalers

Our wholesalers are licensed sales representatives responsible for providing our distributors with product support and facilitating business between our distributors and the clients they serve. Our wholesalers are organized into internal wholesalers and external wholesalers. Our internal wholesalers support our distributors by providing telephonic and online sales support functions. Our field sales representatives, whom we refer to as external wholesalers, are responsible for providing on site face-to-face product and sales support to our distributors. The external wholesalers generally have responsibility for a specific geographic region.

Principal Distribution Channels and Related Data

The relative percentage of our annuity sales by our principal distribution channels were as follows:

	Year Ended December 31, 2021				
Distribution Channel	**Variable**	**Fixed**	**Shield Annuities**	**Fixed Index Annuity**	**Total**
Independent financial planners	17 %	1 %	41 %	7 %	66 %
Banks/financial institutions	2 %	— %	18 %	— %	20 %
Regional broker-dealers	1 %	— %	5 %	— %	6 %
National broker-dealers	1 %	— %	2 %	— %	3 %
Other	1 %	— %	2 %	2 %	5 %

Our top five distributors of annuity products produced 28%, 7%, 7%, 6% and 5% of our deposits of annuity products for the year ended December 31, 2021.

The relative percentage of our life insurance sales by our principal distribution channels were as follows:

Distribution Channel	**Year Ended December 31, 2021**
Financial intermediaries	88 %
Brokerage general agencies	12 %
Other	— %

Our top five distributors of life insurance policies produced 28%, 23%, 16%, 15% and 9% of our life insurance sales for the year ended December 31, 2021.

Regulation

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Overview

Our life insurance subsidiaries and 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, as amended ("ERISA"), consumer protection laws, securities, broker-dealer and investment advisor regulations, and environmental and unclaimed property laws and regulations. See "Risk Factors — Regulatory and Legal Risks."

Insurance Regulation

State insurance regulation generally aims at supervising and regulating insurers, with the goal of protecting policyholders and ensuring that insurance companies remain solvent. Insurance regulators have increasingly sought information about the potential impact of activities in holding company systems as a whole and have adopted laws and regulations enhancing "group-wide" supervision. See "— Holding Company Regulation" for information regarding an enterprise risk report.

Each of our insurance subsidiaries is licensed and regulated in each U.S. jurisdiction where it conducts insurance business. Brighthouse Life Insurance Company is licensed to issue insurance products in all U.S. states (except New York), the District of Columbia, the Bahamas, Guam, Puerto Rico, the British Virgin Islands and the U.S. Virgin Islands. BHNY is only licensed to issue insurance products in New York, and NELICO is licensed to issue insurance products in all U.S. states and the District of Columbia. The primary regulator of an insurance company, however, is the insurance regulator in its state of domicile. Our insurance subsidiaries, Brighthouse Life Insurance Company, BHNY and NELICO, are domiciled in Delaware, New York and Massachusetts, respectively, and regulated by the Delaware Department of Insurance, the New York State Department of Financial Services ("NYDFS") and the Massachusetts Division of Insurance, respectively. In addition, BRCD, which provides reinsurance to our insurance subsidiaries, is domiciled in Delaware and regulated by the Delaware Department of Insurance.

The extent of such regulation varies, but most jurisdictions have laws and regulations governing the financial aspects and business conduct of insurers. State laws in the U.S. grant insurance regulatory authorities broad administrative powers with respect to, among other things:

- licensing companies and agents to transact business;
- calculating the value of assets to determine compliance with statutory requirements;
- mandating certain insurance benefits;
- regulating certain premium rates;
- reviewing and approving certain policy forms and rates;
- regulating unfair trade and claims practices, including through the imposition of restrictions on marketing and sales practices, distribution arrangements and payment of inducements, and identifying and paying to the states benefits and other property that are not claimed by the owners;
- regulating advertising and marketing of insurance products;
- protecting privacy;
- establishing statutory capital (including RBC) reserve requirements and solvency standards;
- specifying the conditions under which a ceding company can take credit for reinsurance in its statutory financial statements (i.e., reduce its reserves by the amount of reserves ceded to a reinsurer);
- fixing maximum interest rates on insurance policy loans and minimum rates for guaranteed crediting rates on life insurance policies and annuity contracts;
- adopting and enforcing suitability standards with respect to the sale of annuities and other insurance products;
- approving changes in control of insurance companies;
- restricting the payment of dividends and other transactions between affiliates; and
- regulating the types, amounts and valuation of investments.

Each of our insurance subsidiaries and BRCD are required to file reports, generally including detailed annual financial statements, with insurance regulatory authorities in each of the jurisdictions in which it does business, and its operations and

accounts are subject to periodic examination by such authorities. Our insurance subsidiaries must also file, and in many jurisdictions and for some lines of insurance obtain regulatory approval for, rules, rates and forms relating to the insurance written in the jurisdictions in which they operate.

State and federal insurance and securities regulatory authorities and other state law enforcement agencies and attorneys general from time to time may make inquiries regarding our compliance with insurance, securities and other laws and regulations regarding the conduct of our insurance and securities businesses. We cooperate with such inquiries and take corrective action when warranted. See Note 15 of the Notes to the Consolidated Financial Statements.

State Insurance Regulatory Actions Related to the COVID-19 Pandemic

As U.S. states have declared states of emergency, many state insurance regulators have mandated or recommended that insurers implement policies to provide relief to consumers who have been adversely impacted by the COVID-19 pandemic. Accordingly, we have taken actions to provide relief to our life insurance policyholders, annuity contract holders and other contract holders who have claimed hardship as a result of the COVID-19 pandemic. Such relief may include extending the grace period for payment of insurance premiums, offering additional time to exercise contractual rights or options or extending maturity dates on annuities.

Surplus and Capital; Risk-Based Capital

The NAIC is an organization whose mission is to assist state insurance regulatory authorities in serving the public interest and achieving the insurance regulatory goals of its members, the state insurance regulatory officials. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate their regulatory oversight. The NAIC provides standardized insurance industry accounting and reporting guidance through its Accounting Practices and Procedures Manual (the “Manual”), which states have largely adopted by regulation. However, statutory accounting principles continue to be established by individual state laws, regulations and permitted practices, which may differ from the Manual. Changes to the Manual or modifications by the various states may impact our statutory capital and surplus.

The NAIC has established regulations that provide minimum capitalization requirements based on RBC formulas for insurance companies. Insurers are required to maintain their capital and surplus at or above minimum levels. Regulators have discretionary authority, in connection with the continued licensing of an insurer, to limit or prohibit the insurer’s sales to policyholders if, in their judgment, the regulators determine that such insurer has not maintained the minimum surplus or capital or that the further transaction of business will be hazardous to policyholders. Each of our insurance subsidiaries is subject to RBC requirements and other minimum statutory capital and surplus requirements imposed under the laws of its respective jurisdiction of domicile. 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 and is calculated for NAIC reporting purposes on an annual basis. The major categories of risk involved are asset risk, insurance risk, interest rate risk, market risk and business risk, including equity, interest rate and expense recovery risks associated with variable annuities that contain guaranteed minimum death and living benefits. The RBC framework 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 TAC does not meet or exceed certain RBC levels. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” and “Risk Factors — Regulatory and Legal Risks — A decrease in the RBC ratio (as a result of a reduction in statutory surplus or increase in RBC requirements) of our insurance subsidiaries, or a change in the rating agency proprietary capital models for our insurance subsidiaries, could result in increased scrutiny by insurance regulators and rating agencies and could have a material adverse effect on our financial condition and results of operations” and Note 10 of the Notes to the Consolidated Financial Statements.

In June 2021, the NAIC adopted changes to the RBC factors for bonds and real estate and created a new set of RBC charges for longevity risk. These changes became effective on December 31, 2021 and had a minimal impact on our RBC ratios.

In December 2020, the NAIC adopted a group capital calculation tool that uses an RBC aggregation methodology for all entities within an insurance holding company system. The NAIC has stated that the calculation will be a tool to assist regulators in assessing group risks and capital adequacy and does not constitute a minimum capital requirement or standard, however, there is no guarantee that will be the case in the future. It is unclear how the group capital calculation will interact with existing capital requirements for insurance companies in the U.S.

In August 2018, the NAIC adopted the framework for variable annuity reserve and capital reform (“VA Reform”). The revisions, which have resulted in substantial changes in reserves, statutory surplus and capital requirements, are designed to mitigate the incentive for insurers to engage in captive reinsurance transactions by making improvements to Actuarial Guideline 43 and the Life Risk Based Capital C3 Phase II (“RBC C3 Phase II”) capital requirements. VA Reform is intended to (i) mitigate the asset liability accounting mismatch between hedge instruments and statutory instruments and statutory liabilities, (ii) remove the non-economic volatility in statutory capital charges and the resulting solvency ratios and (iii) facilitate greater harmonization across insurers and their products for greater comparability. VA Reform became effective as of January 1, 2020, with early adoption permitted as of December 31, 2019. Brighthouse Financial elected to early adopt the changes effective December 31, 2019. Further changes to this framework, including changes resulting from work currently underway by the NAIC to find a suitable replacement for the Economic Scenario Generators developed by the American Academy of Actuaries, could negatively impact our statutory surplus and required capital.

See “Risk Factors — Regulatory and Legal Risks — Our insurance business is highly regulated, and changes in regulation and in supervisory and enforcement policies may materially impact our capitalization or cash flows, reduce our profitability and limit our growth.”

Holding Company Regulation

Insurance holding company laws and regulations vary from jurisdiction to jurisdiction, but generally require a controlled insurance company (i.e., insurers that are subsidiaries of insurance holding companies) to register with state regulatory authorities and to file with those authorities certain reports, including information concerning its capital structure, ownership, financial condition, certain intercompany transactions and general business operations. Most states have adopted substantially similar versions of the NAIC Insurance Holding Company System Model Act and the Insurance Holding Company System Model Regulation. Other states, including New York and Massachusetts, have adopted modified versions, although their supporting regulation is substantially similar to the model regulation.

Insurance holding company regulations generally provide that no person, corporation or other entity may acquire control of an insurance company, or a controlling interest in any parent company of an insurance company, without the prior approval of such insurance company’s domiciliary state insurance regulator. Under the laws of each of the domiciliary states of our insurance subsidiaries, any person acquiring, directly or indirectly, 10% or more of the voting securities of an insurance company (or any holding company of the insurance company) is presumed to have acquired “control” of the company. This statutory presumption of control may be rebutted by a showing that control does not exist, in fact. The state insurance regulators, however, may find that “control” exists in circumstances in which a person owns or controls less than 10% of an insurance company’s voting securities. The laws and regulations regarding acquisition of control transactions may discourage potential acquisition proposals and may delay, deter or prevent a change of control involving us, including through unsolicited transactions that some of our shareholders might consider desirable.

The insurance holding company laws and regulations include a requirement that the ultimate controlling person of a U.S. insurer file an annual enterprise risk report with the lead state of the insurance holding company system identifying risks likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. To date, all of the states where Brighthouse Financial has domestic insurers have enacted this enterprise risk reporting requirement.

State insurance statutes also typically place restrictions and limitations on the amount of dividends or other distributions payable by insurance subsidiaries to their parent companies, as well as on transactions between an insurer and its affiliates. Dividends in excess of prescribed limits and transactions above a specified size between an insurer and its affiliates require the prior approval of the insurance regulator in the insurer’s state of domicile.

The Delaware Insurance Commissioner (the “Delaware Commissioner”), the Massachusetts Commissioner of Insurance and the New York Superintendent of Financial Services (the “NY Superintendent”) have broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its stockholders.

For a discussion of dividend restrictions pursuant to the Delaware Insurance Code and the insurance provisions of the Massachusetts General Law, see Note 10 of the Notes to the Consolidated Financial Statements.

Under New York insurance laws, BHNY is permitted, without prior insurance regulatory clearance, to pay stockholder dividends to its parent in any calendar year based on one of two standards. Under one standard, BHNY is permitted, without prior insurance regulatory clearance, to pay dividends out of earned surplus (defined as positive “unassigned funds (surplus)”), excluding 85% of the change in net unrealized capital gains or losses (less capital gains tax), for the immediately preceding calendar year), in an amount up to the greater of: (i) 10% of its surplus to policyholders as of the

end of the immediately preceding calendar year or (ii) its statutory net gain from operations for the immediately preceding calendar year (excluding realized capital gains), not to exceed 30% of surplus to policyholders as of the end of the immediately preceding calendar year. In addition, under this standard, BHNY may not, without prior insurance regulatory clearance, pay any dividends in any calendar year immediately following a calendar year for which its net gain from operations, excluding realized capital gains, was negative. Under the second standard, if dividends are paid out of other than earned surplus, BHNY may, without prior insurance regulatory clearance, pay an amount up to the lesser of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year or (ii) its statutory net gain from operations for the immediately preceding calendar year (excluding realized capital gains). In addition, BHNY will be permitted to pay a dividend to its parent in excess of the amounts allowed under both standards only if it files notice of its intention to declare such a dividend and the amount thereof with the NY Superintendent and the NY Superintendent either approves the distribution of the dividend or does not disapprove the dividend within 30 days of its filing. To the extent BHNY pays a stockholder dividend, such dividend will be paid to Brighthouse Life Insurance Company, its direct parent and sole stockholder.

Under BRCD’s plan of operations, no dividend or distribution may be made by BRCD without the prior approval of the Delaware Commissioner.

See “Risk Factors — Risks Related to Our Business — As a holding company, BHF depends on the ability of its subsidiaries to pay dividends.” See also “Dividend Restrictions” in Note 10 of the Notes to the Consolidated Financial Statements for further information regarding such limitations and dividends paid.

Own Risk and Solvency Assessment Model Act

In 2012, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment Model Act (“ORSA”), which has been enacted by our insurance subsidiaries’ domiciliary states. ORSA requires that insurers maintain a risk management framework and conduct an internal own risk and solvency assessment of the insurer’s material risks in normal and stressed environments. The assessment must be documented in a confidential annual summary report, a copy of which must be made available to regulators as required or upon request.

Captive Reinsurer Regulation

During 2014, the NAIC approved a regulatory framework applicable to the use of captive insurers in connection with Regulation XXX and Guideline AXXX transactions. Among other things, the framework called for more disclosure of an insurer’s use of captives in its statutory financial statements and narrows the types of assets permitted to back statutory reserves that are required to support the insurer’s future obligations. In 2014, the NAIC implemented the framework through an actuarial guideline (“AG 48”), which requires the ceding insurer’s actuary to opine on the insurer’s reserves to issue a qualified opinion if the framework is not followed. The requirements of AG 48 are effective in all U.S. states, and such requirements apply to policies issued and new reinsurance transactions entered into on or after January 1, 2015. In 2016, the NAIC adopted a model regulation containing similar substantive requirements to AG 48.

Federal Initiatives

Although the insurance business in the U.S. is primarily regulated by the states, federal initiatives often have an impact on our business in a variety of ways. Federal regulation of financial services, securities, derivatives and pensions, as well as legislation affecting privacy, tort reform and taxation, may significantly and adversely affect the insurance business. In addition, various forms of direct and indirect federal regulation of insurance have been proposed from time to time, including proposals for the establishment of an optional federal charter for insurance companies.

Guaranty Associations and Similar Arrangements

All of the jurisdictions in which we are admitted to transact business require life insurers doing business within the jurisdiction to participate in guaranty associations, which are organized to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers, or those that may become impaired, insolvent or fail, for example, following the occurrence of one or more catastrophic events. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the lines of business in which the impaired, insolvent or failed insurer is engaged. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets.

Over the past several years, the aggregate assessments levied against us have not been material. We have established liabilities for guaranty fund assessments that we consider adequate.

Insurance Regulatory Examinations and Other Activities

As part of their regulatory oversight process, state insurance departments conduct periodic detailed examinations of the books, records, accounts, and business practices of insurers domiciled in their states, including periodic financial examinations and market conduct examinations, some of which are currently in process. State insurance departments also have the authority to conduct examinations of non-domiciliary insurers that are licensed in their states, and such states routinely conduct examinations of us. Over the past several years, there have been no material adverse findings in connection with any examinations of us conducted by state insurance departments, although there can be no assurance that there will not be any material adverse findings in the future.

Regulatory authorities in a small number of states, the Financial Industry Regulatory Authority, Inc. ("FINRA") and, occasionally, the SEC, have conducted investigations or inquiries relating to sales or administration of individual life insurance policies, annuities or other products by our insurance subsidiaries. These investigations have focused on the conduct of particular financial services representatives, the sale of unregistered or unsuitable products, the misuse of client assets, and sales and replacements of annuities and certain riders on such annuities. Over the past several years, these and a number of investigations of our insurance subsidiaries by other regulatory authorities were resolved for monetary payments and certain other relief, including restitution payments. We may continue to receive, and may resolve, further investigations and actions on these matters in a similar manner. In addition, insurance companies' claims payment, abandoned property and escheatment practices have received increased scrutiny from regulators.

Policy and Contract Reserve Adequacy Analysis

Annually, our insurance subsidiaries and BRCD are required to conduct an analysis of the adequacy of all statutory reserves. In each case, a qualified actuary must submit an opinion which states that the statutory reserves make adequate provision, according to accepted actuarial standards of practice, for the anticipated cash flows required by the contractual obligations and related expenses of the insurance company. The adequacy of the statutory reserves is considered in light of the assets held by the insurer with respect to such reserves and related actuarial items including, but not limited to, the investment earnings on such assets, and the consideration anticipated to be received and retained under the related policies and contracts. An insurance company may increase reserves in order to submit an opinion without qualification. Our insurance subsidiaries and BRCD, which are required by their respective states of domicile to provide these opinions, have provided such opinions without qualifications.

Regulation of Investments

Each of our insurance subsidiaries is subject to state laws and regulations that require diversification of investment portfolios and limit the amount of investments that an insurer may have in certain asset categories, such as below investment grade fixed income securities, real estate equity, other equity investments, and derivatives. Failure to comply with these laws and regulations would cause investments exceeding regulatory limitations to be treated as non-admitted assets for purposes of measuring surplus and, in some instances, would require divestiture of such non-qualifying investments. We believe that the investments made by each of our insurance subsidiaries complied, in all material respects, with such regulations at December 31, 2021.

NYDFS Insurance Regulation 210

In March 2018, NYDFS Insurance Regulation 210: Life Insurance and Annuity Non-Guaranteed Elements took effect. The regulation establishes standards for the determination and readjustment of non-guaranteed elements ("NGE") that may vary at the insurer's discretion for life insurance policies and annuity contracts delivered or issued for delivery in New York. In addition, the regulation establishes guidelines for related disclosure to NYDFS and policy owners prior to any adverse change in NGEs. The regulation applies to all individual life insurance policies, individual annuity contracts and certain group life insurance and group annuity certificates that contain NGEs. NGEs include premiums, expense charges, cost of insurance rates and interest credits.

Cybersecurity Regulation

In the course of our business, we and our distributors collect and maintain customer data, including personally identifiable nonpublic financial and health information. We also collect and handle the personal information of our employees and certain third parties who distribute our products. As a result, we and the third parties who distribute our products are subject to U.S. federal and state privacy laws and regulations, including the Health Insurance Portability and Accountability Act as well as additional regulation, including the state laws described below. These laws require that we institute and maintain certain policies and procedures to safeguard this information from improper use or disclosure and that we provide notice of our practices related to the collection and disclosure of such information. Other laws and regulations require us to notify affected individuals and regulators of security breaches.

For example, the California Consumer Privacy Act of 2018 (the "CCPA") went into effect on January 1, 2020, granting California residents new privacy rights and requiring disclosures regarding personal information, among other privacy protective measures. The California Privacy Rights Act (the "CPRA") ballot measure passed in the November 2020 election. The CPRA becomes fully operative January 1, 2023 and amends the CCPA, expanding consumer privacy rights and establishing a new privacy enforcement agency. Additional states are considering enacting, or have enacted, consumer information privacy laws.

In 2017, the NAIC adopted the Insurance Data Security Model Law, which established standards for data security and for the investigation and notification of insurance commissioners of cybersecurity events involving unauthorized access to, or the misuse of, certain nonpublic information. A number of states have enacted the Insurance Data Security Model Law or similar laws, and we expect more states to follow.

Securities, Broker-Dealer and Investment Advisor Regulation

Some of our activities in offering and selling variable insurance products, as well as certain fixed interest rate or index-linked contracts, are subject to extensive regulation under the federal securities laws administered by the SEC or state securities laws. Federal and state securities laws and regulations treat variable insurance products and certain fixed interest rate or index-linked contracts as securities that must be registered with the SEC under the Securities Act of 1933, as amended (the "Securities Act"), and distributed through broker-dealers registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These registered broker-dealers are also FINRA members; therefore, sales of these registered products also are subject to the requirements of FINRA rules.

Our subsidiary, Brighthouse Securities, LLC ("Brighthouse Securities") is registered with the SEC as a broker-dealer and is approved as a member of, and subject to regulation by, FINRA. Brighthouse Securities is also registered as a broker-dealer in all applicable U.S. states. Its business is to serve as the principal underwriter and exclusive distributor of the registered products issued by its affiliates, and as the principal underwriter for the registered mutual funds advised by its affiliated investment advisor, Brighthouse Advisers, and used to fund variable insurance products.

We issue variable insurance products through separate accounts that are registered with the SEC as investment companies under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Each registered separate account is generally divided into subaccounts, each of which invests in an underlying mutual fund which is itself a registered investment company under the Investment Company Act. Our subsidiary, Brighthouse Advisers is registered as an investment advisor with the SEC under the Investment Advisers Act of 1940, and its primary business is to serve as investment advisor to the registered mutual funds that underlie our variable annuity contracts and variable life insurance policies. Certain variable contract separate accounts sponsored by our insurance subsidiaries are exempt from registration under the Securities Act and the Investment Company Act but may be subject to other provisions of the federal securities laws.

Federal, state and other securities regulatory authorities, including the SEC and FINRA, may from time to time make inquiries and conduct examinations regarding our compliance with securities and other laws and regulations. We will cooperate with such inquiries and examinations and take corrective action when warranted. See "— Insurance Regulation — Insurance Regulatory Examinations and Other Activities."

Federal and state securities laws and regulations are primarily intended to ensure the integrity of the financial markets, to protect investors in the securities markets, and to protect investment advisory or brokerage clients, and generally grant regulatory agencies broad rulemaking and enforcement powers, including the power to limit or restrict the conduct of business for failure to comply with such laws and regulations.

Department of Labor and ERISA Considerations

We manufacture individual retirement annuities that are subject to the Internal Revenue Code of 1986, as amended (the "Tax Code"), for third parties to sell to individuals. Also, a portion of our in-force life insurance products and annuity products are held by tax-qualified pension and retirement plans that are subject to ERISA or the Tax Code. While we currently believe manufacturers do not have as much exposure to ERISA and the Tax Code as distributors, certain activities are subject to the restrictions imposed by ERISA and the Tax Code, including restrictions on the provision of investment advice to ERISA qualified plans, plan participants and individual retirement annuity and individual retirement account (collectively, "IRAs") owners if the investment recommendation results in fees paid to an individual advisor, the firm that employs the advisor or their affiliates. In June 2020, the Department of Labor ("DOL") issued guidance that expands the definition of "investment advice." See "— Standard of Conduct Regulation — Department of Labor Fiduciary Advice Rule."

The DOL has issued a number of regulations that increase the level of disclosure that must be provided to plan sponsors and participants. The participant disclosure regulations and the regulations which require service providers to disclose fee and

other information to plan sponsors took effect in 2012. Our insurance subsidiaries have taken and continue to take steps designed to ensure compliance with these regulations as they apply to service providers.

In *John Hancock Mutual Life Insurance Company v. Harris Trust and Savings Bank* (1993), the U.S. Supreme Court held that certain assets in excess of amounts necessary to satisfy guaranteed obligations under a participating group annuity general account contract are “plan assets.” Therefore, these assets are subject to certain fiduciary obligations under ERISA, which requires fiduciaries to perform their duties solely in the interest of participants and beneficiaries of a plan subject to Title I of ERISA (an “ERISA Plan”). DOL regulations issued thereafter provide that, if an insurer satisfies certain requirements, assets supporting a policy backed by the insurer’s general account and issued before 1999 will not constitute “plan assets.” We have taken and continue to take steps designed to ensure compliance with these regulations. An insurer issuing a new policy that is backed by its general account and is issued to or for an employee benefit plan after December 31, 1998 is generally subject to fiduciary obligations under ERISA, unless the policy is an insurance policy or contract that provides for benefits the amount of which is guaranteed by the insurer (a “guaranteed benefit policy”), in which case, the assets would not be considered “plan assets.” We have taken and continue to take steps designed to ensure that policies issued to ERISA Plans after 1998 qualify as guaranteed benefit policies.

Standard of Conduct Regulation

As a result of overlapping efforts by the DOL, the NAIC, individual states and the SEC to impose fiduciary-like requirements in connection with the sale of annuities, life insurance policies and securities, which are each discussed in more detail below, there have been a number of proposed or adopted changes to the laws and regulations that govern the conduct of our business and the firms that distribute our products. As a manufacturer of annuity and life insurance products, we do not directly distribute our products to consumers. However, regulations establishing standards of conduct in connection with the distribution and sale of these products could affect our business by imposing greater compliance, oversight, disclosure and notification requirements on our distributors or us, which may in either case increase our costs or limit distribution of our products. We cannot predict what other proposals may be made, what legislation or regulations may be introduced or enacted, or what impact any future legislation or regulations may have on our business, financial condition and results of operations.

Department of Labor Fiduciary Advice Rule

A regulatory action by the DOL (the “Fiduciary Advice Rule”), which became effective on February 16, 2021, reinstates the text of the DOL’s 1975 investment advice regulation defining what constitutes fiduciary “investment advice” to ERISA Plans and IRAs and provides guidance interpreting such regulation. The guidance provided by the DOL broadens the circumstances under which financial institutions, including insurance companies, could be considered fiduciaries under ERISA or the Tax Code. In particular, the DOL states that a recommendation to “roll over” assets from a qualified retirement plan to an IRA or from an IRA to another IRA, can be considered fiduciary investment advice if provided by someone with an existing relationship with the ERISA Plan or an IRA owner (or in anticipation of establishing such a relationship). This guidance reverses an earlier DOL interpretation suggesting that roll over advice does not constitute investment advice giving rise to a fiduciary relationship.

Under the Fiduciary Advice Rule, individuals or entities providing investment advice would be considered fiduciaries under ERISA or the Tax Code, as applicable, and would therefore be required to act solely in the interest of ERISA Plan participants or IRA beneficiaries, or risk exposure to fiduciary liability with respect to their advice. They would further be prohibited from receiving compensation for this advice, unless an exemption applied.

In connection with the Fiduciary Advice Rule, the DOL also issued an exemption, Prohibited Transaction Exemption 2020-02, that allows fiduciaries to receive compensation in connection with providing investment advice, including advice with respect to roll overs, that would otherwise be prohibited as a result of their fiduciary relationship to the ERISA Plan or IRA. In order to be eligible for the exemption, among other conditions, the investment advice fiduciary is required to acknowledge its fiduciary status, refrain from putting its own interests ahead of the plan beneficiaries’ interests or making material misleading statements, act in accordance with ERISA’s “prudent person” standard of care, and receive no more than reasonable compensation for the advice.

Because we do not engage in direct distribution of retail products, including IRA products and retail annuities sold to ERISA Plan participants and to IRA owners, we believe that we will have limited exposure to the Fiduciary Advice Rule. However, while we cannot predict the rule’s impact, the DOL’s interpretation of the ERISA fiduciary investment advice regulation could have an adverse effect on sales of annuity products through our independent distribution partners, as a significant portion of our annuity sales are as IRAs. The Fiduciary Advice Rule may also lead to changes to our compensation practices and product offerings as well as increase our litigation risk, any of which could adversely affect our financial condition and results of operations. We may also need to take certain additional actions in order to comply with, or assist our distributors in their compliance with, the Fiduciary Advice Rule.

In 2021, the DOL announced that it intends to make further changes to its fiduciary investment advice framework, which may include amending the regulations defining fiduciary investment advice and evaluating the current exemptions relied upon by financial institutions in providing services to ERISA Plans and IRAs or proposing new exemptions. We will continue to monitor developments regarding any proposed framework updates.

State Law Standard of Conduct Rules and Regulations

The NAIC adopted a Suitability in Annuity Transactions Regulation (the "NAIC SAT") that includes a best interest standard on February 13, 2020 in an effort to promote harmonization across various regulators, including the SEC Regulation Best Interest. The NAIC SAT model standard requires producers to act in the best interest of the consumer when recommending annuities. Several states have adopted the NAIC SAT model, effective in 2021, and we expect that other states will also consider adopting the NAIC SAT model.

Additionally, certain regulators have issued proposals to impose a fiduciary duty on some investment professionals, and other states may be considering similar regulations. We continue to assess the impact of these issued and proposed standards on our business, and we expect that we and our third-party distributors will need to implement additional compliance measures that could ultimately impact sales of our products.

New York Regulation 187

In July 2018, the NYDFS issued Regulation 187 ("Regulation 187"), which adopted a "best interest" standard for the sale of annuities and life insurance products in New York. The regulation generally requires a consumer's best interest, and not the financial interests of a producer or insurer, in making a producer's recommendation as to which life insurance or annuity product a consumer should purchase. In addition, Regulation 187 imposes a best interest standard on consumer in-force transactions. We have assessed the impact to our annuity and life insurance businesses and have adopted certain changes to promote compliance with the provisions by their respective effective dates. On April 29, 2021, the Appellate Division of the New York State Supreme Court overturned Regulation 187 for being unconstitutionally vague. The NYDFS filed an appeal to the New York Court of Appeals on May 27, 2021, and the filing of the appeal automatically stayed the Appellate Division's order, which leaves Regulation 187 in effect until the appeal is decided by New York's highest court.

SEC Rules Addressing Standards of Conduct for Broker-Dealers

On June 5, 2019, the SEC adopted a comprehensive set of rules and interpretations for broker-dealers and investment advisers, including Regulation Best Interest. Among other things, this regulatory package:

- requires broker-dealers and their financial professionals to act in the best interest of retail customers when making recommendations to such customers without placing their own interests ahead of the customers' interests, including by satisfying obligations relating to disclosure, care, mitigation of conflicts of interest, and compliance policies and procedures;
- clarifies the nature of the fiduciary obligations owed by registered investment advisers to their clients;
- imposes new requirements on broker-dealers and investment advisers to deliver Form CRS relationship summaries designed to assist customers in understanding key facts regarding their relationships with their investment professionals and differences between the broker-dealer and investment adviser business models; and
- restricts broker-dealers and their financial professionals from using certain compensation practices and the terms "adviser" or "advisor."

The intent of Regulation Best Interest is to impose an enhanced standard of care on broker-dealers and their financial professionals which is more similar to that of an investment adviser. Among other things, this would require broker-dealers to mitigate conflicts of interest arising from transaction-based financial arrangements for their employees.

Regulation Best Interest may change the way broker-dealers sell securities such as variable annuities to their retail customers as well as their associated costs. Moreover, it may impact broker-dealer sales of other annuity products that are not securities because it could be difficult for broker-dealers to differentiate their sales practices by product. Broker-dealers were required to comply with the requirements of Regulation Best Interest beginning June 30, 2020. In addition, individual states and their securities regulators may adopt their own enhanced conduct standards for broker-dealers that may further impact their practices, and it is uncertain to what extent they would be preempted by Regulation Best Interest.

Transition from LIBOR

As a result of concerns about the accuracy of the calculation of the London Inter-Bank Offered Rate ("LIBOR"), actions by regulators, law enforcement agencies or the ICE Benchmark Administration, the current administrator of LIBOR enacted changes to the manner in which LIBOR is determined. In July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021, which was expected to result in these widely used reference rates no longer being available. As a result, the Federal Reserve began publishing a secured overnight funding rate, which is intended to replace U.S. dollar ("USD") LIBOR. Plans for alternative reference rates for other currencies were also announced. On November 30, 2020, the administrator of LIBOR announced that only the one week and the two-month USD LIBOR settings would cease publication on December 31, 2020, while the remaining tenors will continue to be published through June 30, 2023. Regulators in the U.S. and globally have continued to advocate for market participants to transition away from the use of LIBOR and have urged market participants to not enter into new contracts that reference USD LIBOR after December 31, 2021. On March 5, 2021, the ICE Benchmark Administration and the United Kingdom Financial Conduct Authority, which supervises the ICE Benchmark Administration, announced that all LIBOR settings either will cease to be provided by any administrator or will no longer be representative (i) immediately after December 31, 2021, for all non-USD LIBOR settings and one-week and two-month USD LIBOR settings and (ii) immediately after June 30, 2023 for the remaining USD LIBOR settings (the "LIBOR Announcement").

The Alternative Reference Rate Committee of the New York office of the Board of Governors of the Federal Reserve and the International Swaps and Derivatives Association ("ISDA") have taken significant steps toward the development of consensus-based fallbacks and alternatives to LIBOR. The fallback proposals are intended to minimize disruptions if LIBOR is no longer usable. In addition, the ISDA has amended and/or provided a means for amendment through protocol of its applicable standard documentation to implement fallbacks for certain key interbank offered rates ("IBOR"). The fallbacks apply if enumerated temporary, permanent and pre-cessation triggers relating to the relevant IBOR occur. There can be no assurance, however, that the alternative rates and fallbacks will be effective at preventing or mitigating disruption as a result of the transition. Should such disruption occur, it may adversely affect, among other things, (i) the trading market for LIBOR-based securities, including those held in the Company's investment portfolio, (ii) the market for derivative instruments, including those that the Company uses to achieve its hedging objectives and (iii) the Company's ability to issue debt bearing a floating rate of interest, including floating rate funding agreements. We continue to prepare for and monitor developments regarding these changes in order to reduce potential disruptions. See "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 — Changes to LIBOR."

Regulation of Over-the-Counter Derivatives

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") includes a framework of regulation of the over-the-counter ("OTC") derivatives markets which requires clearing of certain types of derivatives and imposes additional costs, including new reporting and margin requirements. We use derivatives to mitigate a wide range of risks in connection with our businesses, including the impact of increased benefit exposures from certain of our annuity products that offer guaranteed benefits. Our costs of risk mitigation have increased under Dodd-Frank. For example, Dodd-Frank imposes requirements for (i) the mandatory clearing of certain OTC derivatives transactions that must be cleared and settled through central clearing counterparties ("OTC-cleared"), and (ii) the mandatory exchange of margin for OTC in-scope derivatives transactions that are bilateral contracts between two counterparties ("OTC-bilateral" or "uncleared") entered into after the applicable phase-in period. The initial margin requirements for OTC-bilateral derivatives transactions, which requires the collecting and posting of collateral to reduce future exposure to a given counterparty, became applicable to us in September 2021. The increased margin requirements, combined with increased capital charges for our counterparties and central clearinghouses with respect to non-cash collateral, will likely require increased holdings of cash and highly liquid securities with lower yields causing a reduction in income and less favorable pricing for cleared and OTC-bilateral derivatives transactions. Centralized clearing of certain derivatives also exposes us to the risk of a default by a clearing member or clearinghouse with respect to our cleared derivatives transactions. We could be subject to higher costs of entering into derivatives transactions (including customized derivatives) and the reduced availability of customized derivatives that might result from the implementation of Dodd-Frank and comparable international derivatives regulations.

Federal banking regulators adopted rules that apply to certain qualified financial contracts, including many derivatives contracts, securities lending agreements and repurchase agreements, with certain banking institutions and certain of their affiliates. These rules, which became effective on January 1, 2019, generally require the banking institutions and their applicable affiliates to include contractual provisions in their qualified financial contracts that limit or delay certain rights of their counterparties arising in connection with the banking institution or an applicable affiliate becoming subject to a

bankruptcy, insolvency, resolution or similar proceeding. Certain of our derivatives, securities lending agreements and repurchase agreements are subject to these rules, and as a result, we are subject to greater risk and more limited recovery in the event of a default by such banking institutions or their applicable affiliates.

Environmental Considerations

As an owner and operator of real property, we are subject to extensive federal, state and local environmental laws and regulations. Inherent in such ownership and operation is also the risk that there may be potential environmental liabilities and costs in connection with any investigation or required remediation of such properties. In addition, we hold equity interests in companies that could potentially be subject to environmental liabilities. We routinely have environmental assessments performed with respect to real estate being acquired for investment and real property to be acquired through foreclosure. We cannot provide assurance that unexpected environmental liabilities will not arise. However, based on information currently available to us, we believe that any costs associated with our compliance with environmental laws and regulations or any remediation of our properties will not have a material adverse effect on our results of operations or financial condition.

Unclaimed Property

We are subject to the laws and regulations of states and other jurisdictions concerning identification, reporting and escheatment of unclaimed or abandoned funds, and are subject to audit and examination for compliance with these requirements, which may result in fines or penalties. Litigation may be brought by, or on behalf, of one or more entities, seeking to recover unclaimed or abandoned funds and interest. The claimant or claimants also may allege entitlement to other damages or penalties, including for alleged false claims.

Competition

Both the annuities and the life insurance markets are very competitive, with many participants and no one company dominating the market for all products. According to the American Council of Life Insurers (Life Insurers Fact Book 2021), the U.S. life insurance industry is made up of 747 companies with sales and operations across the country and U.S. territories. We compete with major, well-established stock and mutual life insurance companies and non-insurance financial services companies (e.g., banks, broker-dealers and asset managers) in all of our product offerings, including certain of our distributors that currently manufacture competing products or may manufacture competing products in the future. Our Annuities segment also faces competition from other financial service providers that focus on retirement products and advice. Our competitive positioning overall is focused on access to distribution channels, product features and financial strength.

Principal competitive factors in the annuities business include product features, distribution channel relationships, ease of doing business, annual fees, investment performance, speed to market, brand recognition, technology and the financial strength ratings of the insurance company. In particular for the variable annuity business, our living benefit rider product features and the quality of our relationship management and wholesaling support are key drivers in our competitive position. In the fixed annuity business, the crediting rates and guaranteed payout product features are the primary competitive factors, while for index-linked annuities the competitiveness of the crediting methodology is the primary driver. For income annuities, the competitiveness of the lifetime income payment amount is generally the principal factor.

Principal competitive factors in the life insurance business include customer service and distribution channel relationships, price, the financial strength ratings of the insurance company, technology and financial stability. For our hybrid indexed universal life with long-term care product, product features, long-term care benefits and our underwriting process are the primary competitive factors.

Human Capital Resources

Employees

At December 31, 2021, we had approximately 1,500 employees.

Our Culture, Values and Ethics

Our culture is rooted in three core values, which guide how we work together and deliver on our mission. We are collaborative, adaptable and passionate. We believe these values help us build an organization where talented people from all backgrounds can make meaningful contributions to our success while growing their careers. We have developed, and continue to develop, various programs and policies that are intended to foster and enhance our culture. We also present an annual award that recognizes employees who exemplify our core values in an extraordinary way. Our success also depends on the trust of our employees, distribution partners, customers and stockholders. We strive to adhere to the highest standards of business conduct at all times, and put honesty, fairness and trustworthiness at the center of all that we do.

Diversity, Equity and Inclusion

We have an ongoing commitment to advancing diversity, equity and inclusion at Brighthouse Financial and seek to foster a culture where diverse backgrounds and experiences are celebrated and different ideas are heard and respected. We believe that by creating an inclusive workplace, we are better able to attract and retain talent and provide valuable solutions that meet the needs of our distribution partners and the financial professionals who sell our products as well as their clients. We are focused on increasing representation of underrepresented groups across the Company, including by seeking diverse candidates for open positions. In addition, we offer our employees a mentoring program that aims to encourage talent development within Brighthouse Financial and enhance diversity across leadership levels. Our Diversity, Equity and Inclusion Council, which is composed of representatives from across Brighthouse Financial, creates and sponsors programs and development opportunities with the aim of further advancing diversity, equity and inclusion at Brighthouse Financial. As part of our ongoing efforts to foster diversity, equity and inclusion, in January 2022 we launched a variety of employee network groups, which are open to all employees and designed to offer opportunities for networking, development, learning and allyship as well as drive additional employee engagement.

In addition, Brighthouse Financial Foundation grants, as well as volunteering opportunities offered to our employees, seek to enhance the quality of life in the communities where we live and work. These initiatives are focused on breaking the cycle of generational poverty, advancing racial equity and supporting women, children, underrepresented populations and low-income families.

Attracting, Engaging, Developing and Retaining Talent

Our success depends, in large part, on our ability to attract and retain key employees and highly skilled people. Competition for talent in our industry is intense, and current U.S. labor market dynamics may further increase the challenge of attracting and retaining employees. We continue to monitor the current U.S. labor environment to adapt, as needed, our activities, policies and practices to attract, engage, develop and retain employees and to ensure that Brighthouse Financial remains a great place to work. These efforts include, among other things, seeking to support our employees with competitive pay and benefits and to provide our employees with training and other learning and development opportunities. For example, as part of our efforts to support our employees with competitive pay and benefits, all of our employees are eligible to participate in our 401(k) savings plan, to which the Company makes matching contributions as well as an annual non-discretionary contribution, and in our Employee Stock Purchase Plan. Our talent management and development strategies are built on continuous coaching and feedback, collaboration and inclusivity. In addition, we offer a number of programs focused on employees’ physical, mental and financial well-being. We also measure employee engagement on an ongoing basis, including through engagement surveys, which facilitate our efforts to understand our employees’ experiences at the Company and ensure that we are able to recruit and retain talent.

In response to the COVID-19 pandemic, we shifted all of our employees to a remote-work environment, where they currently remain, and we continue to allow for more flexible work schedules to help our employees manage personal responsibilities while working from home. Since the onset of the pandemic, we have taken, and continue to take, a number of other actions to help support the well-being of our employees, including increasing and enhancing our communications with employees to ensure that they continue to feel connected and informed. As the pandemic continues to evolve, we remain focused on ways to help our employees maintain wellness and avoid burnout. Once our offices reopen, we plan to transition to a flexible, hybrid work model that allows our employees the option to work fully remote or occasionally in the office.

Information About Our Executive Officers

The following table presents certain information regarding our executive officers as of February 24, 2022.

Name	Age	Position with Brighthouse Financial and Certain Other Business Experience
Eric T. Steigerwalt	60	Brighthouse Financial: President and Chief Executive Officer (August 2017 - present) MetLife: President and Chief Executive Officer, Brighthouse Financial, Inc. (August 2016 - August 2017); Executive Vice President, U.S. Retail (September 2012 - August 2017)
Edward A. Spehar	56	Brighthouse Financial: Executive Vice President and Chief Financial Officer (August 2019 - present) MetLife: Executive Vice President and Treasurer (August 2018 - July 2019); Chief Financial Officer of Europe, Middle East and Africa Region (July 2016 - February 2019)
Christine M. DeBiase	53	Brighthouse Financial: Executive Vice President, Chief Administrative Officer and General Counsel (February 2018 - present); Executive Vice President, General Counsel and Corporate Secretary (August 2017 - February 2018); Executive Vice President, General Counsel, Corporate Secretary and Interim Head of Human Resources (May 2017 - November 2017) MetLife: Executive Vice President, General Counsel and Corporate Secretary, Brighthouse Financial, Inc. (August 2016 - August 2017); Senior Vice President and Associate General Counsel, U.S. Retail (August 2014 - August 2017)
Vonda R. Huss	55	Brighthouse Financial: Executive Vice President and Chief Human Resources Officer (November 2017 - present) Wells Fargo, a financial services company: Executive Vice President, Co-Head of Human Resources (September 2015 - November 2017)
Myles J. Lambert	47	Brighthouse Financial: Executive Vice President and Chief Marketing and Distribution Officer (August 2017 - present) MetLife: Executive Vice President and Chief Marketing and Distribution Officer, Brighthouse Financial, Inc. (August 2016 - August 2017); Senior Vice President, U.S. Retail Distribution and Marketing (April 2016 - August 2017)
Conor E. Murphy	53	Brighthouse Financial: Executive Vice President and Chief Operating Officer (June 2018 - present); Executive Vice President, Interim Chief Financial Officer and Chief Operating Officer (March 2019 - August 2019); Executive Vice President and Head of Client Solutions and Strategy (September 2017 - June 2018) MetLife: Chief Financial Officer, Latin America Region (January 2012 - August 2017)
John L. Rosenthal	61	Brighthouse Financial: Executive Vice President and Chief Investment Officer (August 2017 - present) MetLife: Executive Vice President and Chief Investment Officer, Brighthouse Financial, Inc. (August 2016 - August 2017); Senior Managing Director, Head of Global Portfolio Management (2011 - August 2017)

Intellectual Property

We rely on a combination of contractual rights with third parties and copyright, trademark, patent and trade secret laws to establish and protect our intellectual property. We have established a portfolio of trademarks in the U.S. that we consider important in the marketing of our products and services, including for our name, “Brighthouse Financial,” our logo design and taglines.

Available Information and the Brighthouse Financial Website

Our website is located at www.brighthousefinancial.com. We use our website as a routine channel for distribution of information that may be deemed material for investors, including news releases, presentations, financial information and corporate governance information. We post filings on our website as soon as practicable after they are electronically filed with, or furnished to, the SEC, including our annual and quarterly reports on Forms 10-K and 10-Q and current reports on Form 8-K; our proxy statements; and any amendments to those reports or statements. All such postings and filings are available on the “Investor Relations” portion of our website free of charge. In addition, our Investor Relations website allows interested persons to sign up to automatically receive e-mail alerts when we post financial information. The SEC’s website, www.sec.gov, contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

We may use our website as a means of disclosing material information and for complying with our disclosure obligations under Regulation Fair Disclosure promulgated by the SEC. These disclosures are included on our website in the “Investor Relations” or “Newsroom” sections. Accordingly, investors should monitor these portions of our website, in addition to following Brighthouse Financial’s news releases, SEC filings, public conference calls and webcasts.

Information contained on or connected to any website referenced in this Annual Report on Form 10-K is not incorporated by reference in this Annual Report on Form 10-K 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 1A. Risk Factors

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Overview

You should carefully consider the factors described below, in addition to the other information set forth in this Annual Report on Form 10-K. These risk factors are important to understanding the contents of this Annual Report on Form 10-K and our other filings with the SEC. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In that event, the trading price of our securities could decline, and you could lose all or part of your investment. A summary of the factors described below can be found in "Note Regarding Forward-Looking Statements and Summary of Risk Factors."

The materialization of any risks and uncertainties set forth below or identified in "Note Regarding Forward-Looking Statements and Summary of Risk Factors" contained in this Annual Report on Form 10-K and "Note Regarding Forward-Looking Statements" in our other filings with the SEC or those that are presently unforeseen or that we currently believe to be immaterial could result in significant adverse effects on our business, financial condition, results of operations and cash flows. See "Note Regarding Forward-Looking Statements and Summary of Risk Factors."

Risks Related to Our Business

Differences between actual experience and actuarial assumptions and the effectiveness of our actuarial models may adversely affect our financial results, capitalization and financial condition

Our earnings significantly depend upon the extent to which our actual claims experience and benefit payments on our products are consistent with the assumptions we use in setting prices for our products and establishing liabilities for future policy benefits and claims. Such amounts are established based on actuarial estimates of how much we will need to pay for future benefits and claims. To the extent that actual claims and benefits experience is less favorable than the underlying assumptions we used in establishing such liabilities, we could be required to increase our liabilities. We make assumptions regarding policyholder behavior at the time of pricing and in selecting and utilizing the guaranteed options inherent within our products based in part upon expected persistency of the products, which change the probability that a policy or contract will remain in-force from one period to the next. Persistency could be adversely affected by a number of factors, including adverse economic conditions, as well as by developments affecting policyholder perception of us, including perceptions arising from adverse publicity or any potential negative rating agency actions. The pricing of certain of our variable annuity products that contain certain living benefit guarantees is also based on assumptions about utilization rates, or the percentage of contracts that will utilize the benefit during the contract duration, including the timing of the first withdrawal. Results may vary based on differences between actual and expected benefit utilization. A material increase in the valuation of the liability could result to the extent that emerging and actual experience deviates from these policyholder option utilization assumptions, and in certain circumstances this deviation may impair our solvency. We conduct an annual actuarial review (the "AAR") of the key inputs into our actuarial models that rely on management judgment and update those where we have credible evidence from actual experience, industry data or other relevant sources to ensure our price-setting criteria and reserve valuation practices continue to be appropriate.

We use actuarial models to assist us in establishing reserves for liabilities arising from our insurance policies and annuity contracts. We periodically review the effectiveness of these models, including in connection with the implementation of our new actuarial platform, their underlying logic and, from time to time, implement refinements to our models based on these reviews. We implement refinements after rigorous testing and validation and, even after such validation and testing, our models remain subject to inherent limitations. Accordingly, no assurances can be given as to whether or when we will implement refinements to our actuarial models, and, if implemented, the extent of such refinements. Furthermore, if implemented, any such refinements could cause us to increase the reserves we hold for our insurance policy and annuity contract liabilities. Such refinement could also cause us to accelerate the amortization of deferred policy acquisition costs ("DAC") associated with the affected reserves.

Due to the nature of the underlying risks and the uncertainty associated with the determination of liabilities for future policy benefits and claims, we cannot determine precisely the amounts which we will ultimately pay to settle these liabilities. Such amounts may vary materially from the estimated amounts, particularly when those payments may not occur until well into the future. We evaluate our liabilities periodically based on accounting requirements (which change from time to time), the assumptions and models used to establish the liabilities, as well as our actual experience. If the liabilities originally established for future benefit payments and claims prove inadequate, we will be required to increase them.

An increase in our reserves for any of the above reasons, individually or in the aggregate, could have a material adverse effect on our financial condition and results of operations and our profitability measures, as well as materially impact our capitalization, our distributable earnings, our ability to receive dividends from our insurance subsidiaries and BRCD and our liquidity. These impacts could then, in turn, impact our RBC ratios and our financial strength ratings, which are necessary to

support our product sales, and, in certain circumstances, ultimately impact our solvency. Additionally, an acceleration of DAC amortization for any of the above reasons, individually or in the aggregate, could have a material adverse effect on our GAAP results.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Deferred Policy Acquisition Costs."

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

Certain of the variable annuity products we offer include guaranteed benefits designed to protect contract holders against significant changes in equity markets and interest rates, including GMDBs and GMWBs. While we continue to have GMABs and GMIBs in-force with respect to which we are obligated to perform, we no longer offer GMABs or GMIBs. We hold liabilities based on the value of the benefits we expect to be payable under such guarantees in excess of the contract holders' projected account balances. As a result, any periods of significant and sustained negative or low separate account returns, increased equity volatility, or reduced interest rates could result in an increase in the valuation of our liabilities associated with variable annuity guarantees.

Additionally, we make assumptions regarding policyholder behavior at the time of pricing and in selecting and utilizing the guaranteed options inherent within our products (e.g., utilization of option to annuitize within a GMIB product). An increase in the valuation of the liability could result to the extent emerging and actual experience deviates from these policyholder persistency and option utilization assumptions. We review key actuarial assumptions used to record our variable annuity liabilities on an annual basis, including the assumptions regarding policyholder behavior. Changes to assumptions based on our AAR in future years could result in an increase in the liabilities we record for these guarantees.

Furthermore, our Shield Annuities are index-linked annuities with guarantees for a defined amount of equity loss protection and upside participation. If the separate account assets consisting of fixed income securities are insufficient to support the increased liabilities resulting from a period of sustained growth in the equity index on which the product is based, we may be required to fund such separate accounts with additional assets from our general account, where we manage the equity risk as part of our overall variable annuity exposure risk management strategy. To the extent policyholder persistency is different than we anticipate in a sustained period of equity index growth, it could have an impact on our liquidity.

An increase in our variable annuity guarantee liabilities for any of the above reasons, individually or in the aggregate, could have a material adverse effect on our financial condition and results of operations and our profitability measures, as well as materially impact our capitalization, our distributable earnings, our ability to receive dividends from our insurance subsidiaries and our liquidity. These impacts could then in turn impact our RBC ratios and our financial strength ratings, which are necessary to support our product sales, and, in certain circumstances, ultimately impact our solvency.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management Strategies," "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Annual Actuarial Review" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends and Uncertainties — Financial and Economic Environment."

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

Our variable annuity exposure risk management strategy seeks to mitigate the potential adverse effects of changes in capital markets, specifically equity markets and interest rates. The strategy primarily relies on a hedging strategy using derivative instruments and, to a lesser extent, reinsurance. We utilize a combination of short-term and longer-term derivative instruments to have a laddered maturity of protection and reduce roll-over risk during periods of market disruption or higher volatility.

However, our hedging strategy may not be fully effective. In connection with our exposure risk management program, we may determine to seek the approval of applicable regulatory authorities to permit us to increase our hedge limits consistent with those contemplated by the program. No assurance can be given that any of our requested approvals will be obtained and even if obtained, any such approvals may be subject to qualifications, limitations or conditions. If our capital is depleted in the event of persistent market downturns, we may need to replenish it by contributing additional capital, which we may have allocated for other uses, or purchase additional or more expensive hedging protection. Under our hedging strategy, period to period changes in the valuation of our hedges relative to the guarantee liabilities may result in significant volatility to certain of our profitability measures, which could be more significant than has been the case historically, in certain circumstances.

In addition, hedging instruments we enter into may not effectively offset the costs of the guarantees within certain of our annuity products or may otherwise be insufficient in relation to our obligations. For example, in the event that derivative counterparties or central clearinghouses are unable or unwilling to pay, we remain liable for the guaranteed benefits. Furthermore, we are subject to the risk that changes in policyholder behavior or mortality, combined with adverse market events, could produce economic losses not addressed by the risk management techniques employed.

Finally, the cost of our hedging program may be greater than anticipated because adverse market conditions can limit the availability, and increase the costs of, the derivatives we intend to employ, and such costs may not be recovered in the pricing of the underlying products we offer.

The above factors, individually or in the aggregate, could have a material adverse effect on our financial condition and results of operations and our profitability measures, as well as materially impact our capitalization, our distributable earnings, our ability to receive dividends from our insurance subsidiaries and BRCD and our liquidity. These impacts could then, in turn, impact our RBC ratios and our financial strength ratings, which are necessary to support our product sales, and, in certain circumstances, ultimately impact our solvency. See "Business — Segments and Corporate & Other — Annuities — Products — Variable Annuities" for further consideration of the risks associated with guaranteed benefits, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management Strategies — Variable Annuity Exposure Risk Management."

Our analyses of scenarios and sensitivities that we may utilize in connection with our variable annuity risk management strategies may involve significant estimates based on assumptions and may, therefore, result in material differences from actual outcomes compared to the sensitivities calculated under such scenarios

As part of our variable annuity exposure risk management program, we may, from time to time, estimate the impact of various market factors under certain scenarios on our variable annuity distributable earnings, our reserves, or our capital (collectively, the "market sensitivities").

Any such market sensitivities may use inputs that are difficult to approximate and could include estimates that may differ materially from actual results. Any such estimates, or the absence thereof, may, among other things, be associated with: (i) basis returns related to equity or fixed income indices; (ii) actuarial assumptions related to policyholder behavior and life expectancy; and (iii) management actions that may occur in response to developing facts, circumstances and experience for which no estimates are made in any market sensitivities. Any such estimates, or the absence thereof, may produce sensitivities that could differ materially from actual outcomes and may therefore affect our actions in connection with our exposure risk management program.

The actual effect of changes in equity markets and interest rates on the assets supporting our variable annuity contracts and corresponding liabilities may vary materially from market sensitivities estimated due to a number of factors which may include, but are not limited to: (i) changes in our hedging program; (ii) actual policyholder behavior being different than assumed; and (iii) underlying fund performance being different than assumed. In addition, any market sensitivities are valid only as of a particular date and may not factor in the possibility of simultaneous shocks to equity markets, interest rates and market volatility. Furthermore, any market sensitivities could illustrate the estimated impact of the indicated shocks occurring instantaneously, and therefore may not give effect to rebalancing over the course of the shock event. The estimates of equity market shocks may reflect a shock of the same magnitude to both domestic and global equity markets, while the estimates of interest rate shocks may reflect a shock to rates at all durations (a parallel shift in the yield curve). Any such instantaneous or equilateral impact assumptions may result in estimated sensitivities that could differ materially from the actual impacts.

Finally, no assurances can be given that the assumptions underlying any market sensitivities can or will be realized. Our liquidity, statutory capitalization, financial condition and results of operations could be affected by a broad range of capital markets scenarios, which, if they adversely affect account values, could materially affect our reserving requirements, and by extension, could materially affect the accuracy of estimates used in any market sensitivities.

We may not have sufficient assets to meet our future ULSG policyholder obligations and changes in interest rates may result in net income volatility

The primary market risk associated with our ULSG block is the uncertainty around the future levels of U.S. interest rates and bond yields. To help ensure we have sufficient assets to meet future ULSG policyholder obligations, we have employed an actuarial approach based upon NY Regulation 126 Cash Flow Testing ("ULSG CFT") to set our ULSG asset requirement target for BRCD, which reinsures the majority of the ULSG business written by our insurance subsidiaries. For the business retained by our insurance subsidiaries, we set our ULSG asset requirement target to equal the actuarially determined statutory reserves, which, taken together with our ULSG asset requirement target for BRCD, comprises our total ULSG asset requirement target ("ULSG Target"). Under the ULSG CFT approach, we assume that interest rates remain flat or lower than

current levels, and our actuarial assumptions include a provision for adverse deviation. These underlying assumptions used in ULSG CFT are more conservative than those required under GAAP, which assumes a long-term upward mean reversion of interest rates and best estimate actuarial assumptions without additional provisions for adverse deviation.

We seek to mitigate exposure to interest rate risk associated with these liabilities by holding invested assets and interest rate derivatives to closely match our ULSG Target in different interest rate environments.

Our ULSG Target is sensitive to the actual and future expected level of long-term U.S. interest rates. If interest rates fall, our ULSG Target will likely increase, and conversely, if interest rates rise, our ULSG Target will likely decline. As part of our macro interest rate hedging program, we primarily use interest rate swaps, swaptions and interest rate forwards to protect our statutory capitalization from increases in the ULSG Target in lower interest rate environments. This risk mitigation strategy may negatively impact our GAAP stockholders' equity and net income when interest rates rise and our ULSG Target likely declines, since our reported ULSG liabilities under GAAP are largely insensitive to actual fluctuations in interest rates. The ULSG liabilities under GAAP reflect changes in interest rates only when we revise our long-term assumptions due to sustained changes in the market interest rates, such as when we lowered our mean reversion rate from 3.75% to 3.00% in the third quarter of 2020 following our AAR.

Our interest rate derivative instruments may not effectively offset the costs of our ULSG policyholder obligations or may otherwise be insufficient. In addition, this risk mitigation strategy may fail to adequately cover a scenario under which our obligations are higher than projected and may be required to sell investments to cover these increased obligations. If our liquid investments are depleted, we may need to sell higher-yielding, less liquid assets or take other actions, including utilizing contingent liquidity sources or raising capital. The above factors, individually or in the aggregate, could have a material adverse effect on our financial condition and results of operations, our profitability measures as well as materially impact our capitalization, our distributable earnings, our ability to receive dividends from our insurance subsidiaries and BRCD and our liquidity. These impacts could in turn impact our RBC ratios and our financial strength ratings, which are necessary to support our product sales, and in certain circumstances could ultimately impact our solvency. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management Strategies — ULSG Market Risk Exposure Management."

The ongoing COVID-19 pandemic could materially adversely affect our business, financial condition and results of operations, including our capitalization and liquidity

We continue to closely monitor developments related to the COVID-19 pandemic, which has negatively impacted us in certain respects, including as discussed below and as further discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends and Uncertainties — COVID-19 Pandemic." At this time, it continues to not be possible to estimate (i) the severity or duration of the pandemic, including the severity, duration and frequency of any additional "waves" or emerging variants of COVID-19 or (ii) the efficacy or utilization of any therapeutic treatments and vaccines for COVID-19 or variants thereof. It likewise remains 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 any targets we may provide to the markets or any aspects of our business model. See "— Extreme mortality events may adversely impact liabilities for policyholder claims."

A key part of our operating strategy is leveraging third parties to deliver certain services important to our business. As a result, we rely upon the successful implementation and execution of the business continuity plans of such entities in the current environment. While our third-party provider contracts require business continuity and we closely monitor the performance of such third parties, including those that are operating in a remote work environment, successful implementation and execution of their business continuity strategies are largely outside of our control. If any of our third-party providers or partners (including third-party reinsurers) experience operational or financial failures related to the COVID-19 pandemic, or are unable to perform any of their contractual obligations due to force majeure or otherwise, it could have a material adverse effect on our business, financial condition or results of operations. See "— The failure of third parties to provide various services, or any failure of the practices and procedures that these third parties use to provide services to us, could have a material adverse effect on our business."

Certain sectors of our investment portfolio may have been, and may in the future be, adversely affected as a result of the impact of the COVID-19 pandemic on capital markets and the global economy, as well as uncertainty regarding its duration and outcome. See "— Investments-Related Risks — Defaults on our mortgage loans and volatility in performance may adversely affect our profitability," "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends and Uncertainties — COVID-19 Pandemic," "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment — Selected Sector Investments,"

"Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Mortgage Loans — Loan Modifications Related to the COVID-19 Pandemic" and Note 6 of the Notes to the Consolidated Financial Statements.

Credit rating agencies may continue to review and adjust their ratings for the companies that they rate, including us. The credit rating agencies also evaluate the insurance industry as a whole and may change our credit rating based on their overall view of our industry. See "— 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" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Rating Agencies."

Economic uncertainty resulting from the COVID-19 pandemic continues to impact sales of certain of our products, and we are providing relief to customers adversely affected by the COVID-19 pandemic, as further described in "Business — Regulation — Insurance Regulation." Circumstances resulting from the COVID-19 pandemic have affected, and may continue to affect, the incidence of claims, utilization of benefits, lapses or surrenders of policies and payments on insurance premiums, any of which could impact the revenues and expenses associated with our products.

Any risk management or contingency plans or preventative measures we take may not adequately predict or address the impact of the COVID-19 pandemic on our business. In response to the COVID-19 pandemic, we shifted all of our employees to a remote work environment, where they currently remain. Once our offices reopen, we plan to transition to a flexible, hybrid work model that allows our employees the option to work fully remote or occasionally in the office. Remote work arrangements could increase operational risk, including, but not limited to, cybersecurity risks.

The U.S. federal government and many state legislatures and insurance regulators have passed legislation and regulations in response to the COVID-19 pandemic that affect the conduct of our business. Changes in our circumstances due to the COVID-19 pandemic could subject us to additional legal and regulatory restrictions under existing laws and regulations, such as the Coronavirus Aid, Relief, and Economic Security Act. Future legal and regulatory responses could also materially affect the conduct of our business going forward, as well as our financial condition and results of operations.

Changes in accounting standards issued by the Financial Accounting Standards Board may adversely affect our financial statements

Our financial statements are subject to the application of GAAP, which is periodically revised by the Financial Accounting Standards Board ("FASB"). Accordingly, from time to time we are required to adopt new or revised accounting standards or interpretations issued by the FASB. The impact of accounting pronouncements that have been issued but not yet implemented is disclosed in our reports filed with the SEC. See Note 1 of the Notes to the Consolidated Financial Statements.

The FASB issued an accounting standards update ("ASU") in August 2018 that will result in significant changes to the accounting for long-duration insurance contracts, including that all of our variable annuity guarantees be considered market risk benefits and measured at fair value, whereas today a significant amount of our variable annuity guarantees are classified as insurance liabilities. The ASU will be effective as of January 1, 2023. The impact of the new guidance on our variable annuity guarantees is highly dependent on market conditions, especially interest rates, as our stockholders' equity would decrease as interest rates decrease and increase as interest rates rise. We are, therefore, unable to estimate the ultimate impact of the ASU on our financial statements; however, at prevailing interest rate levels at the end of 2021, the ASU, upon adoption, would likely result in a material decrease in stockholders' equity, which could have a material adverse effect on our leverage ratios and other rating agency metrics and could consequently adversely impact our financial strength ratings and our ability to incur new indebtedness or refinance our existing indebtedness. In addition, the ASU will have a significant impact to the Company's financial statements upon adoption and will also change the pattern of the Company's earnings after the transition date, which may include an increase in the market sensitivity of our financial statements and results of operations. See "— 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," "— Our analyses of scenarios and sensitivities that we may utilize in connection with our variable annuity risk management strategies may involve significant estimates based on assumptions and may, therefore, result in material differences from actual outcomes compared to the sensitivities calculated under such scenarios" and Note 1 of the Notes to the Consolidated Financial Statements.

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

Financial strength ratings are published by various nationally recognized statistical rating organizations ("NRSRO") and similar entities not formally recognized as NRSROs. They indicate the NRSROs' opinions regarding an insurance company's ability to meet contract holder and policyholder obligations and are important to maintaining public confidence in our

products and our competitive position. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Rating Agencies” for additional information regarding our financial strength ratings, including current rating agency ratings and outlooks. Credit ratings are opinions of each agency with respect to specific securities and contractual financial obligations of an issuer and the issuer’s ability and willingness to meet those obligations when due. They are important factors in our overall financial profile, including funding profiles, and our ability to access certain types of liquidity.

Downgrades in our financial strength ratings or credit ratings or changes to our ratings outlooks could have a material adverse effect on our financial condition and results of operations in many ways, including:

- reducing new sales of insurance products and annuity products;
- limiting our access to distributors;
- adversely affecting our relationships with independent sales intermediaries;
- restricting our ability to generate new sales, as our products depend on strong financial strength ratings to compete effectively;
- increasing the number or amount of policy surrenders and withdrawals by contract holders and policyholders;
- requiring us to reduce prices for many of our products and services to remain competitive;
- providing termination rights for the benefit of our derivative instrument counterparties;
- providing termination rights to cedents under assumed reinsurance contracts;
- adversely affecting our ability to obtain reinsurance at reasonable prices, if at all;
- subjecting us to potentially increased regulatory scrutiny;
- limiting our access to capital markets or other contingency funding sources; and
- potentially increasing our cost of capital, which could adversely affect our liquidity.

Credit rating agencies may continue to review and adjust their ratings for the companies that they rate, including us. The credit rating agencies also evaluate the insurance industry as a whole and may change our credit rating based on their overall view of our industry. 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. There can be no assurance that Fitch will not take further adverse action with respect to our ratings or that other rating agencies will not take similar actions in the future. Each rating should be evaluated independently of any other rating. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Rating Agencies.”

Our indebtedness and the degree to which we are leveraged could cause a material adverse effect on our financial condition and results of operations

We had $3.2 billion of total long-term consolidated indebtedness outstanding at December 31, 2021, consisting of debt securities issued to investors. We are required to service this indebtedness with cash at BHF and with dividends and other intercompany cash flows from our subsidiaries. The funds needed to service our indebtedness as well as to make required dividend payments on our outstanding preferred stock will not be available to meet any short-term liquidity needs we may have, invest in our business, pay any potential dividends on our common stock or carry out any share or debt repurchases that we may undertake.

Overall, our ability to generate cash is subject to general economic, financial market, competitive, legislative, regulatory, client behavior and other factors that are beyond our control. We may not generate sufficient funds to service our indebtedness and meet our business needs, such as funding working capital or the expansion of our operations. In addition, our leverage could put us at a competitive disadvantage compared to our competitors that are less leveraged. Our leverage could also impede our ability to withstand downturns in our industry or the economy, in general or lead to actions by rating agencies. See “— 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.” See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Primary Sources of Liquidity and Capital” for more details about our indebtedness. In addition, since the Tax Cuts and Jobs Act limits the deductibility of interest expense, we may not be able to fully deduct the interest payments on a

substantial portion of our indebtedness. Limitations on our operations and use of funds resulting from our indebtedness could have a material adverse effect on our financial condition and results of operations.

Our failure to comply with the agreements relating to our outstanding indebtedness, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our business, financial condition, results of operations or cash flows

If there were an event of default under any of the agreements governing our outstanding indebtedness, we may not be able to incur additional indebtedness and the holders of the defaulted indebtedness could cause all amounts outstanding with respect to that indebtedness to be due and payable immediately.

Our $1.0 billion senior unsecured revolving credit facility maturing May 7, 2024 (the "Revolving Credit Facility") and our reinsurance financing arrangement contain certain administrative, reporting, legal and financial covenants, including, in the case of the Revolving Credit Facility, requirements to maintain a specified minimum consolidated net worth and to maintain a ratio of indebtedness to total capitalization not in excess of a specified percentage, as well as limitations on the dollar amount of indebtedness that may be incurred by our subsidiaries. Such covenants could restrict our operations and use of funds. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company." Failure to comply with the covenants in the Revolving Credit Facility or fulfill the conditions to borrowings, or the failure of lenders to fund their lending commitments (whether due to insolvency, illiquidity or other reasons) in the amounts provided for under the terms of the Revolving Credit Facility, would restrict our ability to access the Revolving Credit Facility when needed and, consequently, could have a material adverse effect on our financial condition, results of operations and liquidity. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Primary Sources of Liquidity and Capital — Credit and Committed Facilities" for a discussion of our credit facilities, including the Revolving Credit Facility.

Our ability to make payments on and to refinance our existing indebtedness, as well as any future indebtedness that we may incur, will depend on our ability to generate cash in the future from operations, financings or asset sales. Our ability to generate cash to meet our debt obligations in the future is sensitive to capital markets returns, primarily due to our variable annuity business. Overall, our ability to generate cash is subject to general economic, financial market, competitive, legislative, regulatory, client behavioral, and other factors that are beyond our control.

The lenders who hold our indebtedness could also accelerate amounts due in the event that we default, which could potentially trigger a default or acceleration of the maturity of our other indebtedness. We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments if accelerated upon an event of default, which could have a material adverse effect on our ability to continue to operate as a going concern. If we are not able to repay or refinance our indebtedness as it becomes due, we may be forced to take disadvantageous actions, including significant business and legal entity restructuring, limited new business investment, selling assets or dedicating an unsustainable level of our cash flow from operations to the payment of principal and interest on our indebtedness. In addition, our ability to withstand competitive pressures and to react to changes in the insurance industry could be impaired. Further, if we are unable to repay, refinance or restructure our secured indebtedness, the holders of such indebtedness could proceed against any collateral securing that indebtedness.

Reinsurance may not be available, affordable or adequate to protect us against losses

As part of our overall risk management strategy, our insurance subsidiaries purchase reinsurance from third-party reinsurers for certain risks we underwrite. While reinsurance agreements generally bind the reinsurer for the life of the business reinsured at generally fixed pricing, market conditions beyond our control determine the availability and cost of the reinsurance protection for new business. The premium rates and other fees that we charge for our products are based, in part, on the assumption that reinsurance will be available at a certain cost. Some of our reinsurance contracts contain provisions that limit the reinsurer's ability to increase rates on in-force business; however, some do not. We have faced a number of rate increase actions on in-force business in recent years and may face additional increases in the future. There can be no assurance that the outcome of any future rate increase actions would not have a material effect on our financial condition and results of operations. If a reinsurer raises the rates that it charges on a block of in-force business, in some instances, we will not be able to pass the increased costs onto our customers and our profitability will be negatively impacted. Additionally, such a rate increase could result in our recapturing of the reinsured business, which would result in a need to maintain additional reserves, reduce reinsurance receivables and expose us to greater risks. Accordingly, we may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect our ability to write future business or result in an increase in the amount of risk that we retain with respect to those policies we issue. See "Business — Reinsurance Activity."

If the counterparties to our reinsurance or indemnification arrangements or to the derivatives we use to hedge our business risks default or fail to perform, we may be exposed to risks we had sought to mitigate, which could materially adversely affect our financial condition and results of operations

We use reinsurance, indemnification and derivatives to mitigate our risks in various circumstances. In general, reinsurance, indemnification and derivatives do not relieve us of our direct liability to our policyholders, even when a third-party is liable to us. Accordingly, we bear credit risk with respect to our reinsurers, indemnitors, counterparties and central clearinghouses. A reinsurer's, indemnitor's, counterparty's or central clearinghouse's insolvency, inability or unwillingness to make payments under the terms of reinsurance agreements, indemnity agreements or derivatives agreements with us or inability or unwillingness to return collateral could have a material adverse effect on our financial condition and results of operations.

We cede a large block of long-term care insurance business to certain affiliates of Genworth, which results in a significant concentration of reinsurance risk. The Genworth reinsurers' obligations to us are secured by trust accounts and Citigroup agreed to indemnify us for losses and certain other payment obligations we might incur with respect to this business. See "Business — Reinsurance Activity — Unaffiliated Third-Party Reinsurance." Notwithstanding these arrangements, if the Genworth reinsurers become insolvent and the amounts in the trust accounts are insufficient to pay their obligations to us, it could have a material adverse effect on our financial condition and results of operations.

In addition, we use derivatives to hedge various business risks. We enter into a variety of OTC-bilateral and OTC-cleared derivatives, including options, forwards, interest rate, credit default and currency swaps. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Derivatives." If our counterparties, clearing brokers or central clearinghouses fail or refuse to honor their obligations under these derivatives, our hedges of the related risk will be ineffective. Such failure could have a material adverse effect on our financial condition and results of operations.

We may not be able to take credit for reinsurance, our statutory life insurance reserve financings may be subject to cost increases and new financings may be subject to limited market capacity

We currently utilize reinsurance and capital markets solutions to mitigate the capital impact of the statutory reserve requirements for several of our products, including, but not limited to, our level premium term life products subject to Regulation XXX and ULSG subject to Guideline AXXX. Our primary solution involves BRCD, our affiliated reinsurance subsidiary. See "Business — Reinsurance Activity — Affiliated Reinsurance." BRCD obtained statutory reserve financing through a funding structure involving a single financing arrangement supported by a pool of highly rated third-party reinsurers. In connection with this financing arrangement, BRCD, with the explicit permission of the Delaware Commissioner, has included the value of credit-linked notes as admitted assets. See Notes 9 and 10 of the Notes to the Consolidated Financial Statements for a description of the financing arrangement and this associated permitted practice. The financing facility matures in 2039 and we may therefore need to refinance this facility in the future.

The NAIC adopted AG 48, which regulates the terms of captive insurer arrangements that are entered into or amended in certain ways after December 31, 2014. See "Business — Regulation — Insurance Regulation — Captive Reinsurer Regulation." There can be no assurance that in light of AG 48, future rules and regulations, or changes in interpretations by state insurance departments that we will be able to continue to efficiently implement these arrangements, nor can we assure you that future capacity for these arrangements will be available in the marketplace. To the extent we cannot continue to efficiently implement these arrangements, our statutory capitalization, financial condition and results of operations, as well as our competitiveness, could be adversely affected.

Factors affecting our competitiveness may adversely affect our market share and profitability

We believe competition among insurance companies is based on a number of factors, including service, product features, scale, price, actual or perceived financial strength, claims-paying ratings, credit ratings, e-business capabilities and name recognition. We face intense competition from a large number of other insurance companies, as well as non-insurance financial services companies (e.g., banks, broker-dealers and asset managers). In addition, certain of our distributors also currently manufacture their own competing products or may manufacture competing products in the future. Some of our competitors offer a broader array of products, have more competitive pricing or, with respect to other insurance companies, have higher claims-paying ability and financial strength ratings. Some may also have greater financial resources with which to compete. In some circumstances, national banks that sell annuity products of life insurers may also have a pre-existing customer base for financial services products. These competitive pressures may adversely affect the persistency of our products, as well as our ability to sell our products in the future. In addition, new and disruptive technologies may present competitive risks. If, as a result of competitive factors or otherwise, we are unable to generate a sufficient return on insurance policies and annuity products we sell in the future, we may stop selling such policies and products, which could have a material adverse effect on our financial condition and results of operations. See "Business — Competition."

We have limited control over many of our costs. For example, we have limited control over the cost of unaffiliated third-party reinsurance, the cost of meeting changing regulatory requirements, and our cost to access capital or financing. There can be no assurance that we will be able to achieve or maintain a cost advantage over our competitors. If our cost structure increases and we are not able to achieve or maintain a cost advantage over our competitors, it could have a material adverse effect on our ability to execute our strategy, as well as on our financial condition and results of operations. If we hold substantially more capital than is needed to support credit ratings that are commensurate with our business strategy, over time, our competitive position could be adversely affected.

In addition, due to the highly regulated nature of our business, legislative or other changes affecting the regulatory environment for our business may, over time, have the effect of supporting or burdening some aspects of the financial services industry. This can affect our competitive position within the annuities and life insurance industry, and within the broader financial services industry. See "— Regulatory and Legal Risks" and "Business — Regulation."

We may experience difficulty in marketing and distributing products through our distribution channels

We distribute our products exclusively through a variety of third-party distribution channels. Our agreements with our third-party distributors may be terminated by either party with or without cause. We may periodically renegotiate the terms of these agreements, and there can be no assurance that such terms will remain acceptable to us or such third parties. If we are unable to maintain our relationships, our sales of individual insurance, annuities and investment products could decline, and our financial condition and results of operations could be materially adversely affected. Our distributors may elect to suspend, alter, reduce or terminate their distribution relationships with us for various reasons, including changes in our distribution strategy, adverse developments in our business, adverse rating agency actions, or concerns about market-related risks. We are also at risk that key distribution partners may merge, consolidate, change their business models in ways that affect how our products are sold, or terminate their distribution contracts with us, or that new distribution channels could emerge and adversely impact the effectiveness of our distribution efforts. Also, if we are unsuccessful in attracting and retaining key internal associates who conduct our business, including wholesalers, our sales could decline.

An interruption or significant change in certain key relationships could materially affect our ability to market our products and could have a material adverse effect on our financial condition and results of operations. In addition, we rely on a core number of our distributors to produce the majority of our sales. If any one such distributor were to terminate its relationship with us or reduce the amount of sales which it produces for us, our results of operations could be adversely affected. An increase in bank and broker-dealer consolidation activity could increase competition for access to distributors, result in greater distribution expenses and impair our ability to market products through these channels. Consolidation of distributors or other industry changes may also increase the likelihood that distributors will try to renegotiate the terms of any existing selling agreements to terms less favorable to us.

Because our products are distributed through unaffiliated firms, we may not be able to monitor or control the manner of their distribution despite our training and compliance programs. If our products are distributed by such firms in an inappropriate manner, or to customers for whom they are not in the best interest, we may suffer reputational and other harm to our business.

We compete with major, well-established stock and mutual life insurance companies and non-insurance financial services companies (e.g., banks, broker-dealers and asset managers) in all of our product offerings, and our distributors sell such competitors' products along with our products. In addition, certain of our distributors currently manufacture their own competing products or may manufacture competing products in the future. If our distributors concentrate their efforts in selling their firm's own products or our other competitors' products instead of ours, our sales could be adversely impacted.

In addition, in connection with the sale of MPCG to MassMutual, we entered into an agreement in 2016 that permits us to serve as the exclusive manufacturer for certain proprietary products which are offered through MassMutual's career agent channel. We partnered with MassMutual to develop the initial product distributed under this arrangement, the Index Horizons fixed index annuity, and agreed on the terms of the related reinsurance. While the agreement has a term of 10 years, it is possible that MassMutual may elect to terminate our exclusivity or the agreement itself in certain specified circumstances.

The failure of third parties to provide various services, or any failure of the practices and procedures that these third parties use to provide services to us, could have a material adverse effect on our business

A key part of our operating strategy is to leverage third parties to deliver certain services important to our business, including administrative, operational, technology, financial, investment and actuarial services. For example, we have certain arrangements with third-party service providers relating to the administration of both in-force policies and new life and annuities business, as well as engagements with a select group of experienced external asset management firms to manage the investment of the assets comprising our general account portfolio and certain other assets. There can be no assurance that the

services provided to us by third parties (or their suppliers, vendors or subcontractors) will be sufficient to meet our operational and business needs, that such third parties will continue to be able to perform their functions in a manner satisfactory to us, that the practices and procedures of such third parties will continue to enable them to adequately manage any processes they handle on our behalf, or that any remedies available under these third-party arrangements will be sufficient to us in the event of a dispute or nonperformance. In addition, we continue to focus on further sourcing opportunities with third-party vendors; as we transition to new third-party service providers and convert certain administrative systems or platforms, certain issues may arise. For example, during the third quarter of 2020, we completed the conversion of a significant portion of the administration of our in-force annuity business to a single third-party service provider. Following the conversion, a number of our customers and distribution partners experienced delays and service interruptions. While these issues have been resolved, there can be no assurance that in connection with this or future conversions, transitions to new third-party service providers, or in connection with any of the services provided to us by third parties (or such third party's supplier, vendor or subcontractor), we will not incur any unanticipated expenses or experience other economic or reputational harm, experience service delays or interruptions, or be subject to litigation or regulatory investigations and actions, any of which could have a material adverse effect on our business and financial reporting.

Furthermore, if a third-party provider (or such third-party's supplier, vendor or subcontractor) fails to meet contractual requirements (e.g., compliance with applicable laws and regulations, suffers a cyberattack or other security breach, fails to provide material information on a timely basis) or fails to provide required services due to the loss of key personnel or otherwise, then, in each case, we could suffer economic and reputational harm that could have a material adverse effect on our business and financial reporting. In addition, such failures could result in the loss of key distributors, impact the accuracy of our financial reporting, or subject us to litigation or regulatory investigations and actions, which could have a material adverse effect on our business, financial condition and results of operations. See "— Risks Related to Our Business — We may experience difficulty in marketing and distributing products through our distribution channels" and "— Operational Risks — Any failure in cyber- or other information security systems, as well as the occurrence of events unanticipated in Brighthouse Financial's or our third-party service providers' disaster recovery systems and business continuity planning could result in a loss or disclosure of confidential information, damage to our reputation and impairment of our ability to conduct business effectively."

Similarly, if any third-party provider (or such third-party's supplier, vendor or subcontractor) experiences any deficiency in internal controls, determines that its practices and procedures used in providing services to us (including administering any of our policies or managing any of our investments) require review or it otherwise fails to provide services to us in accordance with appropriate standards, we could incur expenses and experience other adverse effects as a result. In such situations, we may be unable to resolve any issues on our own without assistance from the third-party provider, and we could have limited ability to influence the speed and effectiveness of that resolution.

In addition, from time to time, certain third parties have brought to our attention practices, procedures and reserves with respect to certain products they administer on our behalf that require further review. While we do not believe, based on the information made available to us to date, that any of the matters brought to our attention will require material modifications to reserves or have a material effect on our business and financial reporting, we are reliant on our third-party service providers to provide further information and assistance with respect to those products. There can also be no assurance that such matters will not require material modifications to reserves or have a material effect on our financial condition or results of operations in the future, or that our third-party service providers will provide further information and assistance.

It may be difficult, disruptive and more expensive for us to replace some of our third-party providers in a timely manner if in the future they were unwilling or unable to provide us with the services we require (as a result of their financial or business conditions or otherwise), and our business and financial condition and results of operations could be materially adversely affected. In addition, if a third-party provider raises the rates that it charges us for its services, in some instances, we will not be able to pass the increased costs onto our customers and our profitability may be negatively impacted.

Changes in our deferred income tax assets or liabilities, including changes in our ability to realize our deferred income tax assets, could adversely affect our financial condition or results of operations

Deferred income tax represents the tax effect of the differences between the book and tax bases of assets and liabilities. Deferred income tax assets are assessed periodically by management to determine whether they are realizable. Factors in management's determination include the performance of the business, including the ability to generate future taxable income. If, based on available information, it is more likely than not that the deferred income tax asset will not be realized, then a valuation allowance must be established with a corresponding charge to our profitability measures. Such charges could have a material adverse effect on our financial condition and results of operations. Changes in the statutory tax rate could also affect the value of our deferred income tax assets and may require a write-off of some of those assets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates."

As a holding company, BHF depends on the ability of its subsidiaries to pay dividends

BHF is a holding company for its insurance subsidiaries and BRCD and does not have any significant operations of its own. We depend on the cash at the holding company as well as dividends or other capital inflows from our subsidiaries to meet our obligations and to pay dividends on our common and preferred stock, if any. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Parent Company — Liquidity and Capital — Statutory Capital and Dividends.”

If the cash BHF receives from its subsidiaries is insufficient for it to fund its debt-service and other holding company obligations, BHF may be required to raise capital through the incurrence of indebtedness, the issuance of additional equity or the sale of assets. Our ability to access funds through such methods is subject to prevailing market conditions and there can be no assurance that we will be able to do so. See “— Economic Environment and Capital Markets-Related Risks — Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs and our access to capital.”

The payment of dividends and other distributions by our insurance subsidiaries is regulated by insurance laws and regulations. In general, dividends in excess of prescribed limits require insurance regulatory approval. In addition, insurance regulators may prohibit the payment of dividends or other payments by our insurance subsidiaries if they determine that the payment could be adverse to the interests of our policyholders or contract holders. Any requested payment of dividends by our insurance subsidiaries in excess of their respective ordinary dividend capacity would be considered an extraordinary dividend subject to prior approval by the Delaware Department of Insurance, the Massachusetts Division of Insurance, and the NYDFS, as applicable. Furthermore, any dividends by BRCD are subject to the approval of the Delaware Department of Insurance. The payment of dividends and other distributions by our insurance subsidiaries is also influenced by business conditions including those described in the Risk Factors above and rating agency considerations. See “— Regulatory and Legal Risks — A decrease in the RBC ratio (as a result of a reduction in statutory surplus or increase in RBC requirements) of our insurance subsidiaries, or a change in the rating agency proprietary capital models for our insurance subsidiaries, could result in increased scrutiny by insurance regulators and rating agencies and could have a material adverse effect on our financial condition and results of operations.” See also “Business — Regulation — Insurance Regulation” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Parent Company — Liquidity and Capital — Statutory Capital and Dividends.”

Risks associated with climate change could adversely affect our business, financial condition and results of operations.

Climate change could pose a systemic risk to the financial system. Climate change could increase the frequency and severity of weather related disasters and pandemics. Efforts to reduce greenhouse gas emissions and limit global warming could impact global investment asset valuations. There is also a risk that some asset sectors could face significantly higher costs and a disorderly adjustment to asset values leading to an adverse impact on the value and future performance of investment assets as a result of climate change and regulatory or other responses. Climate change could also impact our counterparties and other third parties, including, among others, reinsurers and derivatives counterparties. The above risks could adversely affect our business, financial condition and results of operations.

Extreme mortality events may adversely impact liabilities for policyholder claims

Our life insurance operations are exposed to the risk of catastrophic mortality, such as a pandemic or other event that causes a large number of deaths. For example, the COVID-19 pandemic is ongoing and several significant influenza pandemics have occurred in the last century. The likelihood, timing, and severity of a future pandemic that may impact our policyholders cannot be predicted. Moreover, the impact of climate change could cause changes in the frequency or severity of outbreaks of certain diseases. A significant pandemic could have a major impact on the global economy and the financial markets or the economies of particular countries or regions, including disruptions to commerce, the health system, and the food supply and reduced economic activity. In addition, a pandemic that affected our employees or the employees of our distributors or of other companies with which we do business, including providers of third-party services, could disrupt our business operations. Furthermore, the value of our investment portfolio could be negatively impacted, see “— Investments-Related Risks — Ongoing military actions, the continued threat of terrorism, climate change as well as other catastrophic events may adversely affect the value of our investment portfolio and the level of claim losses we incur.” The effectiveness of external parties, including governmental and non-governmental organizations, in combating the spread and severity of such a pandemic could have a material impact on the losses we experience. These events could cause a material adverse effect on our results of operations in any period and, depending on their severity, could also materially and adversely affect our financial condition.

Consistent with industry practice and accounting standards, we establish liabilities for claims arising from a catastrophe only after assessing the probable losses arising from the event. We cannot be certain that the liabilities we have established

will be adequate to cover actual claim liabilities. A catastrophic event or multiple catastrophic events could have a material adverse effect on our business, financial condition and results of operations. Conversely, improvements in medical care and other developments which positively affect life expectancy can cause our assumptions with respect to longevity, which we use when we price our products, to become incorrect and, accordingly, can adversely affect our financial condition and results of operations.

We could face difficulties, unforeseen liabilities, asset impairments or rating actions arising from business acquisitions or dispositions

We may engage in dispositions and acquisitions of businesses. Such activity exposes us to a number of risks arising from (i) potential difficulties achieving projected financial results including the costs and benefits of integration or deconsolidation; (ii) unforeseen liabilities or asset impairments; (iii) the scope and duration of rights to indemnification for losses; (iv) the use of capital which could be used for other purposes; (v) rating agency reactions; (vi) regulatory requirements that could impact our operations or capital requirements; (vii) changes in statutory accounting principles or GAAP, practices or policies; and (viii) certain other risks specifically arising from activities relating to a legal entity reorganization.

Our ability to achieve certain financial benefits we anticipate from any acquisitions of businesses will depend in part upon our ability to successfully integrate such businesses in an efficient and effective manner. There may be liabilities or asset impairments that we fail, or are unable, to discover in the course of performing acquisition-related due diligence investigations. Furthermore, even for obligations and liabilities that we do discover during the due diligence process, neither the valuation adjustment nor the contractual protections we negotiate may be sufficient to fully protect us from losses.

We may from time to time dispose of business or blocks of in-force business through outright sales, reinsurance transactions or by alternate means. After a disposition, we may remain liable to the acquirer or to third parties for certain losses or costs arising from the divested business or on other bases. We may also not realize the anticipated profit on a disposition or incur a loss on the disposition. In anticipation of any disposition, we may need to restructure our operations, which could disrupt such operations and affect our ability to recruit key personnel needed to operate and grow such business pending the completion of such transaction. In addition, the actions of key employees of the business to be divested could adversely affect the success of such disposition as they may be more focused on obtaining employment, or the terms of their employment, than on maximizing the value of the business to be divested. Furthermore, transition services or tax arrangements related to any such separation could further disrupt our operations and may impose restrictions, liabilities, losses or indemnification obligations on us. Depending on its particulars, a separation could increase our exposure to certain risks, such as by decreasing the diversification of our sources of revenue. Moreover, we may be unable to timely dissolve all contractual relationships with the divested business in the course of the proposed transaction, which may materially adversely affect our ability to realize value from the disposition. Such restructuring could also adversely affect our internal controls and procedures and impair our relationships with key customers, distributors and suppliers. An interruption or significant change in certain key relationships could materially affect our ability to market our products and could have a material adverse effect on our business, financial condition and results of operations.

Economic Environment and Capital Markets-Related Risks

If difficult conditions in the capital markets and the U.S. economy generally persist or are perceived to persist, they may materially adversely affect our business and results of operations

Our business and results of operations are materially affected by conditions in the capital markets and the U.S. economy generally, as well as by the global economy to the extent it affects the U.S. economy. In addition, while our operations are entirely in the U.S., we have foreign investments in our general and separate accounts and, accordingly, conditions in the global capital markets can affect the value of our general account and separate account assets, as well as our financial results. Actual or perceived stressed conditions, volatility and disruptions in financial asset classes or various capital markets can have an adverse effect on us, both because we have a large investment portfolio and our benefit and claim liabilities are sensitive to changing market factors, including interest rates, credit spreads, equity and commodity prices, derivative prices and availability, real estate markets, foreign currency exchange rates and the returns and volatility of capital markets. In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, the demand for our products could be adversely affected as customers are unwilling or unable to purchase them. In addition, we may experience an elevated incidence of claims, adverse utilization of benefits relative to our best estimate expectations and lapses or surrenders of policies. Furthermore, our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Such adverse changes in the economy could negatively affect our earnings and capitalization and have a material adverse effect on our financial condition, results of operations and our ability to receive dividends from our insurance subsidiaries and BRCD.

Significant market volatility in reaction to geopolitical risks, changing monetary policy, trade disputes and uncertain fiscal policy may exacerbate some of the risks we face. Increased market volatility may affect the performance of the various asset classes in which we invest, as well as separate account values. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends and Uncertainties — Financial and Economic Environment.”

Extreme declines or shocks in equity markets, such as sustained stagnation in equity markets and low interest rates, could cause us to incur significant capital or operating losses due to, among other reasons, the impact of guarantees related to our annuity products, including increases in liabilities, increased capital requirements, or collateral requirements. Furthermore, periods of sustained stagnation in equity and bond markets, which are characterized by multiple years of low annualized total returns impacting the growth in separate accounts or low level of U.S. interest rates, may materially increase our liabilities for claims and future benefits due to inherent market return guarantees in these liabilities. Similarly, sustained periods of low interest rates and risk asset returns could reduce income from our investment portfolio, increase our liabilities for claims and future benefits, and increase the cost of risk transfer measures such as hedging, causing our profit margins to erode as a result of reduced investment portfolio income and increased insurance liabilities. See also “— 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” and “— 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.”

Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs and our access to capital

The capital and credit markets may be subject to periods of extreme volatility. Disruptions in capital markets could adversely affect our liquidity and credit capacity or limit our access to capital which may in the future be needed to operate our business and meet policyholder obligations.

We need liquidity at our holding company to pay our operating expenses, pay interest on our indebtedness, carry out any share or debt repurchases that we may undertake, pay any potential dividends on our stock, provide our subsidiaries with cash or collateral, maintain our securities lending activities and replace certain maturing liabilities. Without sufficient liquidity, we could be forced to curtail our operations and limit the investments necessary to grow our business.

For our insurance subsidiaries, the principal sources of liquidity are insurance premiums and fees paid in connection with annuity products, and cash flow from our investment portfolio to the extent consisting of cash and readily marketable securities.

In the event capital markets or other conditions have an adverse impact on our capital and liquidity, or our stress-testing indicates that such conditions could have an adverse impact beyond expectations and our current resources do not satisfy our needs or regulatory requirements, we may have to seek additional financing to enhance our capital and liquidity position. The availability of additional financing will depend on a variety of factors such as the then current market conditions, regulatory capital requirements, availability of credit to us and the financial services industry generally, our credit ratings and financial leverage, and the perception of our customers and lenders regarding our long- or short-term financial prospects if we incur large operating or investment losses or if the level of our business activity decreases due to a market downturn. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. Our internal sources of liquidity may prove to be insufficient and, in such case, we may not be able to successfully obtain additional financing on favorable terms, or at all.

In addition, our liquidity requirements may change if, among other things, we are required to return significant amounts of cash collateral on short notice under securities lending agreements or other collateral requirements. See “— Investments-Related Risks — Should the need arise, we may have difficulty selling certain holdings in our investment portfolio or in our securities lending program in a timely manner and realizing full value given that not all assets are liquid,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity.”

Our financial condition, results of operations, cash flows and statutory capital position could be materially adversely affected by disruptions in the financial markets, as such disruptions may limit our ability to replace, in a timely manner, maturing liabilities, satisfy regulatory capital requirements, and access the capital that may be necessary to grow our business. See “— Regulatory and Legal Risks — Our insurance business is highly regulated, and changes in regulation and in supervisory and enforcement policies may materially impact our capitalization or cash flows, reduce our profitability and limit our growth.” As a result, we may be forced to delay raising capital, issue different types of securities than we would

have otherwise, less effectively deploy such capital, issue shorter tenor securities than we prefer, or bear an unattractive cost of capital, which could decrease our profitability and significantly reduce our financial flexibility.

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

We are exposed to significant financial risks both in the U.S. and global capital and credit markets, including changes and volatility in interest rates, credit spreads, equity prices, real estate, foreign currency, commodity prices, performance of the obligors included in our investment portfolio (including governments), derivatives (including performance of our derivatives counterparties) and other factors outside our control. We may be exposed to substantial risk of loss due to market downturn or market volatility.

Credit spread risk

Our exposure to credit spreads primarily relates to market price volatility and investment risk associated with the fluctuation in credit spreads. Widening credit spreads may cause unrealized losses in our investment portfolio and increase losses associated with written credit protection derivatives used in replication transactions. Increases in credit spreads of issuers due to credit deterioration may result in higher level of impairments. Additionally, an increase in credit spreads relative to U.S. Treasury benchmarks can also adversely affect the cost of our borrowing if we need to access credit markets. Tightening credit spreads may reduce our investment income and cause an increase in the reported value of certain liabilities that are valued using a discount rate that reflects our own credit spread.

Interest rate risk

Some of our current or anticipated future products, principally traditional life, universal life and fixed index-linked and income annuities, as well as funding agreements and structured settlements, expose us to the risk that changes in interest rates will reduce our investment margin or “net investment spread,” or the difference between the amounts that we are required to pay under the contracts in our general account and the rate of return we earn on general account investments intended to support the obligations under such contracts. Our net investment spread is a key component of our profitability measures.

In a low interest rate environment, we may be forced to reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, which will reduce our net investment spread. Moreover, borrowers may prepay or redeem the fixed income securities and commercial, agricultural or residential mortgage loans in our investment portfolio with greater frequency in order to borrow at lower market rates, thereby exacerbating this risk. Although reducing interest crediting rates can help offset decreases in net investment spreads on some products, our ability to reduce these rates is limited to the portion of our in-force product portfolio that has adjustable interest crediting rates and could be limited by the actions of our competitors or contractually guaranteed minimum rates and may not match the timing or magnitude of changes in asset yields. As a result, our net investment spread would decrease or potentially become negative, which could have a material adverse effect on our financial condition and results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities.”

Our estimation of future net investment spreads is an important component in the amortization of DAC. Significantly lower than anticipated net investment spreads can reduce our profitability measures and may cause us to accelerate amortization, which would result in a reduction of net income in the affected reporting period and potentially negatively affect our credit instrument covenants or the rating agencies’ assessment of our financial condition and results of operations.

During periods of declining interest rates, our return on investments that do not support particular policy obligations may decrease. During periods of sustained lower interest rates, our reserves for policy liabilities may not be sufficient to meet future policy obligations and may need to be strengthened. Accordingly, declining and sustained lower interest rates may materially adversely affect our financial condition and results of operations, our ability to receive dividends from our insurance subsidiaries and BRCD and significantly reduce our profitability.

Increases in interest rates could also negatively affect our profitability. In periods of rapidly increasing interest rates, we may not be able to replace, in a timely manner, the investments in our general account with higher-yielding investments needed to fund the higher crediting rates necessary to keep interest rate sensitive products competitive. Therefore, we may have to accept a lower credit spread and lower profitability or face a decline in sales and greater loss of existing contracts and related assets. In addition, as interest rates rise, policy loans, surrenders and withdrawals may increase as policyholders seek investments with higher perceived returns. This process may result in cash outflows requiring that we sell investments at a time when the prices of those investments are adversely affected by the increase in interest rates, which may result in

realized investment losses. Unanticipated withdrawals, terminations and substantial policy amendments may cause us to accelerate the amortization of DAC; such events may reduce our profitability measures and potentially negatively affect our credit instrument covenants and the rating agencies' assessments of our financial condition and results of operations. An increase in interest rates could also have a material adverse effect on the value of our investments, for example, by decreasing the estimated fair values of the fixed income securities and mortgage loans that comprise a significant portion of our investment portfolio. See "— Investments-Related Risks — Gross unrealized losses on fixed maturity securities and defaults, downgrades or other events may result in future impairments to the carrying value of such securities, resulting in a reduction in our profitability measures." Finally, an increase in interest rates could result in decreased fee revenue associated with a decline in the value of variable annuity account balances invested in fixed income funds.

In addition, because the macro interest rate hedging program is primarily a risk mitigation strategy intended to reduce our risk to statutory capitalization and long-term economic exposures from sustained low levels of interest rates, this strategy will likely result in higher net income volatility due to the insensitivity of related GAAP liabilities to the change in interest rate levels. This strategy may adversely affect our financial condition and results of operations. See "— Risks Related to Our Business — We may not have sufficient assets to meet our future ULSG policyholder obligations and changes in interest rates may result in net income volatility" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management Strategies — ULSG Market Risk Exposure Management."

Inflation risk

A sustained or material increase in inflation could affect our business in several ways. During inflationary periods, the value of fixed income investments may fall, which could increase realized and unrealized losses. Interest rates may increase due to central bank policy responses to combat inflation, which may positively impact our business in certain respects, but could also increase the risk of a recession or an equity market downturn and could negatively impact various portions of our business, including our investment portfolio. Inflation also increases expenses (including, among others, for labor and third-party services), potentially putting pressure on profitability in the event that such additional costs cannot be passed through to policyholders. Prolonged and elevated inflation could adversely affect the financial markets and the economy generally, and dispelling it may require governments to pursue a restrictive fiscal and monetary policy, which could constrain overall economic activity and inhibit revenue growth. See "— Industry Trends and Uncertainties — Financial and Economic Environment."

Changes to LIBOR

There is currently uncertainty regarding the impact of the discontinuation of LIBOR, as well as the development and adoption of alternative reference rates and fallbacks by the Alternative Reference Rate Committee of the New York office of the Board of Governors of the Federal Reserve and ISDA. See "Business — Regulation — Transition from LIBOR" for a discussion of the discontinuation of LIBOR, as well as developments regarding the adoption of alternative reference rates and fallbacks.

At this time, it is not possible to predict the effect that the discontinuation of LIBOR or the establishment of alternative reference rates may have on our financial instruments or agreements currently using LIBOR as a benchmark interest rate. In addition, it is not possible to predict how such changes or other reforms may adversely affect the trading market for LIBOR-based securities and derivatives, including those held in our investment portfolio. Such changes or reforms may result in adjustments or replacements to LIBOR, which could have an adverse impact on the market for LIBOR-based securities and the value of our investment portfolio. Our transition may not effectively protect other aspects of our business, such as our operations and the accuracy of the financial models and valuations we use to measure our risks, for financial reporting, or other purposes. Any such uncertainties may harm our reputation, business operations and financial condition, as well as our relationships with investors, distributors, or regulators. Market and client adoption of proposed alternative reference rates varies across products, services, and contracts, leading to market fragmentation, reduced liquidity in the market, and increased operational complexity. Alternative reference rates have different characteristics than LIBOR and may demonstrate less predictable behavior over time and across different monetary, market, and economic environments. Furthermore, we previously entered into agreements that currently reference LIBOR and may be adversely affected by any changes or reforms to LIBOR or discontinuation of LIBOR, including if such agreements are not amended prior to any such changes, reform or discontinuation.

Equity risk

Our primary exposure to equity relates to the potential for lower earnings associated with certain of our businesses where fee income is earned based upon the estimated market value of the separate account assets and other assets related to our variable annuity business. Because fees generated by such products are primarily related to the value of the separate account assets and other AUM, a decline in the equity markets could reduce our revenues as a result of the reduction in the

value of the investment assets supporting those products and services. We seek to mitigate the impact of such exposure to weak or stagnant equity markets through the use of derivatives, reinsurance and capital management. However, such derivatives and reinsurance may become less available and, if they remain available, their price could materially increase in a period characterized by volatile equity markets. The risk of stagnation in equity market returns cannot be addressed by hedging. See "Business — Segments and Corporate & Other — Annuities — Products — Variable Annuities" for details regarding sensitivity of our variable annuity business to capital markets.

In addition, a portion of our investments are in leveraged buy-out funds and other private equity funds. The amount and timing of net investment income from such funds tends to be uneven as a result of the performance of the underlying investments. As a result, the amount of net investment income from these investments can vary substantially from period to period. Significant volatility could adversely impact returns and net investment income on these investments. In addition, the estimated fair value of such investments may be affected by downturns or volatility in equity or other markets.

See "— 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" and "— Investments-Related Risks — Our valuation of securities and investments and the determination of the amount of allowances and impairments taken on our investments are subjective and, if changed, could materially adversely affect our financial condition or results of operations."

Real estate risk

A portion of our investment portfolio consists of mortgage loans on commercial, agricultural and residential real estate. Our exposure to this risk stems from various factors, including the supply and demand of leasable commercial space, creditworthiness of tenants and partners, capital markets volatility, interest rate fluctuations, agricultural prices and farm incomes. Although we manage credit risk and market valuation risk for our commercial, agricultural and residential real estate assets through geographic, property type and product type diversification and asset allocation, general economic conditions in the commercial, agricultural and residential real estate sectors will continue to influence the performance of these investments. These factors, which are beyond our control, could have a material adverse effect on our financial condition, results of operations, liquidity or cash flows.

Obligor-related risk

Fixed income securities and mortgage loans represent a significant portion of our investment portfolio. We are subject to the risk that the issuers, or guarantors, of the fixed income securities and mortgage loans in our investment portfolio may default on principal and interest payments they owe us. We are also subject to the risk that the underlying collateral within asset-backed securities ("ABS"), including mortgage-backed securities, may default on principal and interest payments causing an adverse change in cash flows. The occurrence of a major economic downturn, acts of corporate malfeasance, widening mortgage or credit spreads, or other events that adversely affect the issuers, guarantors or underlying collateral of these securities and mortgage loans could cause the estimated fair value of our portfolio of fixed income securities and mortgage loans and our earnings to decline and the default rate of the fixed income securities and mortgage loans in our investment portfolio to increase.

Derivatives risk

Our derivatives counterparties' defaults could have a material adverse effect on our financial condition and results of operations. Substantially all of our derivatives (whether entered into bilaterally with specific counterparties or cleared through a clearinghouse) require us to pledge or receive collateral or make payments related to any decline in the net estimated fair value of such derivatives. In addition, ratings downgrades or financial difficulties of derivative counterparties may require us to utilize additional capital with respect to the affected businesses. Furthermore, the valuation of our derivatives could change based on changes to our valuation methodology or the discovery of errors.

Summary

Economic or counterparty risks and other factors described above, and significant volatility in the markets, individually or collectively, could have a material adverse effect on our financial condition, results of operations, liquidity or cash flows through realized investment losses, derivative losses, change in insurance liabilities, impairments, increased valuation allowances, increases in reserves for future policyholder benefits, reduced net investment income and changes in unrealized gain or loss positions.

Market price volatility can also make it difficult to value certain assets in our investment portfolio if trading in such assets becomes less frequent, for example, as was the case during the 2008 financial crisis. In such case, valuations may include assumptions or estimates that may have significant period to period changes, which could have a material adverse

effect on our financial condition and results of operations and could require additional reserves. Significant volatility in the markets could cause changes in the credit spreads and defaults and a lack of pricing transparency which, individually or in the aggregate, could have a material adverse effect on our financial condition, results of operations, or liquidity. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Investment Risks.”

Investments-Related Risks

Should the need arise, we may have difficulty selling certain holdings in our investment portfolio or in our securities lending program in a timely manner and realizing full value given that not all assets are liquid

There may be a limited market for certain investments we hold in our investment portfolio, making them relatively illiquid. These include privately-placed fixed maturity securities, derivative instruments such as options, mortgage loans, policy loans, leveraged leases, other limited partnership interests, and real estate equity, such as real estate limited partnerships, limited liability companies and funds. In the past, even some of our very high-quality investments experienced reduced liquidity during periods of market volatility or disruption. If we were forced to sell certain of our investments during periods of market volatility or disruption, market prices may be lower than our carrying value in such investments. This could result in realized losses which could have a material adverse effect on our financial condition and results of operations, as well as our financial ratios, which could affect compliance with our credit instruments and rating agency capital adequacy measures. Moreover, our ability to sell assets could be limited if other market participants are seeking to sell fungible or similar assets at the same time.

Similarly, we loan blocks of our securities to third parties (primarily brokerage firms and commercial banks) through our securities lending program, including fixed maturity securities and short-term investments.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Securities Lending” for a discussion of our obligations under our securities lending program. If we are required to return significant amounts of cash collateral in connection with our securities lending or otherwise need significant amounts of cash on short notice and we are forced to sell securities, we 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 we otherwise would have been able to realize in normal market conditions, or both. In the event of a forced sale, accounting guidance requires the recognition of a loss for securities in an unrealized loss position and may require the impairment of other securities based on our ability to hold those securities, which would negatively impact our financial condition and results of operations, as well as our financial ratios, which could affect compliance with our credit instruments and rating agency capital adequacy measures. In addition, under stressful capital markets and economic conditions, liquidity broadly deteriorates, which could further restrict our ability to sell securities. Furthermore, if we decrease the amount of our securities lending activities over time, the amount of net investment income generated by these activities will also likely decline.

Our requirements to pledge collateral or make payments related to declines in estimated fair value of derivatives transactions or specified assets in connection with OTC-cleared, OTC-bilateral transactions and exchange traded derivatives may adversely affect our liquidity, expose us to central clearinghouse and counterparty credit risk, or increase our costs of hedging

Many of our derivatives transactions require us to pledge collateral related to any decline in the net estimated fair value of such derivatives transactions executed through a specific broker at a clearinghouse or entered into with a specific counterparty on a bilateral basis. The amount of collateral we may be required to pledge and the payments we may be required to make under our derivatives transactions may increase under certain circumstances as a result of the requirement to pledge initial margin for OTC-bilateral transactions entered into after the phase-in period, which became to be applicable to us in September 2021 as a result of the adoption by the Office of the Comptroller of the Currency, the Federal Reserve Board, Federal Deposit Insurance Corporation, Farm Credit Administration and Federal Housing Finance Agency and the U.S. Commodity Futures Trading Commission of final margin requirements for non-centrally cleared derivatives. Such requirements could adversely affect our liquidity, expose us to central clearinghouse and counterparty credit risk, or increase our costs of hedging. See “Business — Regulation — Regulation of Over-the-Counter Derivatives.”

Gross unrealized losses on fixed maturity securities and defaults, downgrades or other events may result in future impairments to the carrying value of such securities, resulting in a reduction in our profitability measures

Fixed maturity securities classified as available-for-sale (“AFS”) securities are reported at their estimated fair value. Unrealized gains or losses on AFS securities are recognized as a component of other comprehensive income (loss) (“OCI”) and are, therefore, excluded from our profitability measures. In recent periods, as a result of low interest rates, the unrealized gains on our fixed maturity securities have exceeded the unrealized losses. However, if interest rates rise, our unrealized

gains would decrease, and our unrealized losses would increase, perhaps substantially. The accumulated change in estimated fair value of these AFS securities is recognized in our profitability measures when the gain or loss is realized upon the sale of the security or in the event that the decline in estimated fair value is determined to be credit-related and impairment charges to earnings are taken. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity Securities AFS.”

The occurrence of a major economic downturn, acts of corporate malfeasance, widening credit risk spreads, or other events that adversely affect the issuers or guarantors of securities or the underlying collateral of residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”) and ABS (collectively, “Structured Securities”) could cause the estimated fair value of our fixed maturity securities portfolio and corresponding earnings to decline and cause the default rate of the fixed maturity securities in our investment portfolio to increase. A ratings downgrade affecting issuers or guarantors of particular securities, or similar trends that could worsen the credit quality of issuers, such as the corporate issuers of securities in our investment portfolio, could also have a similar effect. Economic uncertainty can adversely affect credit quality of issuers or guarantors. Similarly, a ratings downgrade affecting a security we hold could indicate the credit quality of that security has deteriorated and could increase the capital we must hold to support that security to maintain our RBC levels. Our intent to sell or assessment of the likelihood that we would be required to sell fixed maturity securities that have declined in value may affect the level of write-downs or impairments. Realized losses or impairments on these securities could have a material adverse effect on our financial condition and results of operations in, or at the end of, any quarterly or annual period.

Our valuation of securities and investments and the determination of the amount of allowances and impairments taken on our investments are subjective and, if changed, could materially adversely affect our financial condition or results of operations

Fixed maturity and equity securities, as well as short-term investments that are reported at estimated fair value, represent the majority of our total cash and investments. See Note 1 to the Notes to the Consolidated Financial Statements for more information on how we calculate fair value. During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain of our securities if trading becomes less frequent or market data becomes less observable. In addition, in times of financial market disruption, certain asset classes that were in active markets with significant observable data may become illiquid. In those cases, the valuation process includes inputs that are less observable and require more subjectivity and management judgment. Valuations may result in estimated fair values which vary significantly from the amount at which the investments may ultimately be sold. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported within our consolidated financial statements and the period to period changes in estimated fair value could vary significantly. Decreases in the estimated fair value of securities we hold could have a material adverse effect on our financial condition and results of operations.

The determination of the amount of allowances and impairments varies by investment type and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. However, historical trends may not be indicative of future impairments or allowances and any such future impairments or allowances could have a materially adverse effect on our earnings and financial position.

Defaults on our mortgage loans and volatility in performance may adversely affect our profitability

Our mortgage loans face default risk and are principally collateralized by commercial, agricultural and residential properties. An increase in the default rate of our mortgage loan investments or fluctuations in their performance, as a result of the COVID-19 pandemic or otherwise, could have a material adverse effect on our financial condition and results of operations.

Further, any geographic or property type concentration of our mortgage loans may have adverse effects on our investment portfolio and consequently on our financial condition and results of operations. Events or developments that have a negative effect on any particular geographic region or sector may have a greater adverse effect on our investment portfolio to the extent that the portfolio is concentrated. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Mortgage Loans” and Notes 6 and 8 of the Notes to the Consolidated Financial Statements.

The defaults or deteriorating credit of other financial institutions could adversely affect us

We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, central clearinghouses, commercial banks, investment banks, hedge funds and investment funds and other financial institutions. Many of these transactions expose us to credit risk in the

event of the default of our counterparty. In addition, with respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to us. We also have exposure to these financial institutions in the form of unsecured debt instruments, non-redeemable and redeemable preferred securities, derivatives, joint ventures and equity investments. Any losses or impairments to the carrying value of these investments or other changes could materially and adversely affect our financial condition and results of operations.

Ongoing military actions, the continued threat of terrorism, climate change as well as other catastrophic events may adversely affect the value of our investment portfolio and the level of claim losses we incur

Ongoing military actions, the continued threat of terrorism, both within the U.S. and abroad, and heightened security measures in response to these types of threats, as well as climate change and other natural or man-made catastrophic events, may cause significant decline and volatility in global financial markets and result in loss of life, property damage, additional disruptions to commerce, the health system, and the food supply and reduced economic activity. The effects of climate change could cause changes in weather patterns, resulting in more severe and more frequent natural disasters such as forest fires, hurricanes, tornados, floods and storm surges. The value of assets in our investment portfolio may be adversely affected by declines in the credit and equity markets and reduced economic activity caused by the continued threat of catastrophic events. Companies in which we maintain investments may suffer losses as a result of financial, commercial or economic disruptions and such disruptions might affect the ability of those companies to pay interest or principal on their securities or mortgage loans. Catastrophic events could also disrupt our operations as well as the operations of our third-party service providers and also result in higher than anticipated claims under insurance policies that we have issued. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities.”

Regulatory and Legal Risks

Our insurance business is highly regulated, and changes in regulation and in supervisory and enforcement policies may materially impact our capitalization or cash flows, reduce our profitability and limit our growth

Our operations are subject to a wide variety of insurance and other laws and regulations. Our insurance subsidiaries and BRCD are subject to regulation by their primary Delaware, Massachusetts and New York state regulators as well as other regulation in states in which they operate. See “Business — Regulation,” as supplemented by discussions of regulatory developments in our subsequently filed Quarterly Reports on Form 10-Q under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends and Uncertainties — Regulatory Developments.”

We cannot predict what proposals may be made, what legislation or regulations may be introduced or enacted, or what impact any future legislation or regulations could have on our business, financial condition and results of operations. Furthermore, regulatory uncertainty could create confusion among our distribution partners and customers, which could negatively impact product sales. See “Business — Regulation — Standard of Conduct Regulation” for a more detailed discussion of particular regulatory efforts by various regulators.

Changes to the laws and regulations that govern the standards of conduct that apply to the sale of our annuity products business, including variable and registered fixed insurance products, and the firms that distribute these products could adversely affect our operations and profitability. Such changes could increase our regulatory and compliance burden, resulting in increased costs, or limit the type, amount or structure of compensation arrangements into which we may enter with certain of our associates, which could negatively impact our ability to compete with other companies in recruiting and retaining key personnel. Additionally, our ability to react to rapidly changing economic conditions and the dynamic, competitive market for variable and registered fixed products will depend on the continued efficacy of provisions we have incorporated into our product design allowing frequent and contemporaneous revisions of key pricing elements, as well as our ability to work collaboratively with securities regulators. Changes in regulatory approval processes, rules and other dynamics in the regulatory process could adversely impact our ability to react to such changing conditions.

Revisions to the NAIC’s RBC calculation, including further changes to the VA Reform framework, could result in a reduction in the RBC ratio for one or more of our insurance subsidiaries below certain prescribed levels, and in case of such a reduction we may be required to hold additional capital in such subsidiary or subsidiaries. See “— A decrease in the RBC ratio (as a result of a reduction in statutory surplus or increase in RBC requirements) of our insurance subsidiaries, or a change in the rating agency proprietary capital models for our insurance subsidiaries, could result in increased scrutiny by insurance regulators and rating agencies and could have a material adverse effect on our financial condition and results of operations” and “Business — Regulation — Insurance Regulation — Surplus and Capital; Risk-Based Capital.”

We cannot predict the impact that "best interest" or fiduciary standards adopted or proposed by various regulators may have on our business, financial condition or results of operations. Compliance with new or changed rules or legislation in this area may increase our regulatory burden and that of our distribution partners, require changes to our compensation practices and product offerings, and increase litigation risk, which could adversely affect our financial condition and results of operations. For example, we cannot predict the impact of the DOL's Fiduciary Advice Rule including the DOL's guidance broadening the scope of what constitutes fiduciary "investment advice" under ERISA and the Tax Code until further guidance is provided. The DOL's interpretation of the ERISA fiduciary investment advice regulation could have an adverse effect on sales of annuity products through our independent distribution partners, as a significant portion of our annuity sales are to IRAs. The Fiduciary Advice Rule may also lead to changes to our compensation practices, product offerings and increased litigation risk, which could adversely affect our financial condition and results of operations. We may also need to take certain additional actions in order to comply with, or assist our distributors in their compliance with, the Fiduciary Advice Rule.

Changes in laws and regulations that affect our customers and distribution partners or their operations also may affect our business relationships with them and their ability to purchase or distribute our products. Such actions may negatively affect our business and results of operations.

If our associates fail to adhere to regulatory requirements or our policies and procedures, we may be subject to penalties, restrictions or other sanctions by applicable regulators, and we may suffer reputational harm. See "Business — Regulation."

A decrease in the RBC ratio (as a result of a reduction in statutory surplus or increase in RBC requirements) of our insurance subsidiaries, or a change in the rating agency proprietary capital models for our insurance subsidiaries, could result in increased scrutiny by insurance regulators and rating agencies and could have a material adverse effect on our financial condition and results of operations

The NAIC has established model regulations that provide minimum capitalization requirements based on RBC formulas for insurance companies. Each of our insurance subsidiaries is subject to RBC standards or other minimum statutory capital and surplus requirements imposed under the laws of its respective jurisdiction of domicile. See "Business — Regulation — Insurance Regulation — Surplus and Capital; Risk-Based Capital."

In any particular year, statutory surplus amounts and RBC ratios may increase or decrease depending on a variety of factors, including the amount of statutory income or losses generated by the insurance subsidiary (which itself is sensitive to equity market and credit market conditions), the amount of additional capital such insurer must hold to support business growth, changes in equity market levels, the value and credit ratings of certain fixed income and equity securities in its investment portfolio, the value of certain derivative instruments that do not receive hedge accounting and changes in interest rates, as well as changes to the RBC formulas and the interpretation of the NAIC's instructions with respect to RBC calculation methodologies. Our financial strength and credit ratings are significantly influenced by statutory surplus amounts and RBC ratios. In addition, rating agencies may implement changes to their own proprietary capital models, which differ from the RBC capital model, that have the effect of increasing or decreasing the amount of statutory capital our insurance subsidiaries should hold relative to the rating agencies' expectations. Under stressed or stagnant capital markets conditions and with the aging of existing insurance liabilities, without offsets from new business, the amount of additional statutory reserves that an insurance subsidiary is required to hold may materially increase. This increase in reserves would decrease the statutory surplus available for use in calculating the subsidiary's RBC ratio. To the extent that an insurance subsidiary's RBC ratio is deemed to be insufficient, we may seek to take actions either to increase the capitalization of the insurer or to reduce the capitalization requirements. If we were unable to accomplish such actions, the rating agencies may view this as a reason for a ratings downgrade.

The failure of any of our insurance subsidiaries to meet their applicable RBC requirements or minimum capital and surplus requirements could subject them to further examination or corrective action imposed by insurance regulators, including limitations on their ability to write additional business, supervision by regulators or seizure or liquidation. Any corrective action imposed could have a material adverse effect on our business, financial condition and results of operations. A decline in RBC ratios, whether or not it results in a failure to meet applicable RBC requirements, may limit the ability of an insurance subsidiary to pay dividends or distributions to us, could result in a loss of customers or new business, or could be a factor in causing ratings agencies to downgrade our financial strength ratings, each of which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to federal and state securities laws and regulations and rules of self-regulatory organizations which, among other things, require that we distribute certain of our products through a registered broker-dealer; failure to comply with these laws or changes to these laws could have a material adverse effect on our operations and our profitability

Federal and state securities laws and regulations apply to insurance products that are also “securities,” including variable annuity contracts and variable life insurance policies, to the separate accounts that issue them, and to certain fixed interest rate or index-linked contracts. Such laws and regulations require these products to be distributed through a broker-dealer that is registered with the SEC and certain state securities regulators and is also a member of FINRA. Accordingly, by offering and selling these registered products, and in managing certain proprietary mutual funds associated with those products, we are subject to, and bear the costs of compliance with, extensive regulation under federal and state securities laws, as well as FINRA rules.

Federal and state securities laws and regulations are primarily intended to protect investors in the securities markets, protect investment advisory and brokerage clients, and ensure the integrity of the financial markets. These laws and regulations generally grant regulatory and self-regulatory agencies broad rulemaking and enforcement powers impacting new and existing products. These powers include the power to adopt new rules to regulate the issuance, sale and distribution of our products and powers to limit or restrict the conduct of business for failure to comply with securities laws and regulations. See “Business — Regulation — Securities, Broker-Dealer and Investment Advisor Regulation.”

The global financial crisis of 2008 led to significant changes in economic and financial markets that have, in turn, led to a dynamic competitive landscape for issuers of variable and registered insurance products. Our ability to react to rapidly changing market and economic conditions will depend on the continued efficacy of provisions we have incorporated into our product design allowing frequent and contemporaneous revisions of key pricing elements and our ability to work collaboratively with federal securities regulators. Changes in regulatory approval processes, rules and other dynamics in the regulatory process could adversely impact our ability to react to such changing conditions.

Changes in tax laws or interpretations of such laws could reduce our earnings and materially impact our operations by increasing our corporate taxes and making some of our products less attractive to consumers

Changes in tax laws or interpretations of such laws could have a material adverse effect on our profitability and financial condition and could result in our incurring materially higher statutory taxes. Higher tax rates may adversely affect our business, financial condition, results of operations and liquidity. Conversely, declines in tax rates could make our products less attractive to consumers.

Litigation and regulatory investigations are common in our businesses and may result in significant financial losses or harm to our reputation

We face a significant risk of litigation actions and regulatory investigations in the ordinary course of operating our businesses, including the risk of class action lawsuits. Our pending legal actions and regulatory investigations include proceedings specific to us, as well as other proceedings that raise issues that are generally applicable to business practices in the industries in which we operate. In addition, the Master Separation Agreement that sets forth our agreements with MetLife relating to the ownership of certain assets and the allocation of certain liabilities in connection with the Separation (the “Master Separation Agreement”) allocated responsibility among MetLife and Brighthouse Financial with respect to certain claims (including litigation or regulatory actions or investigations where Brighthouse Financial is not a party). As a result, we may face indemnification obligations or be required to share in certain of MetLife’s liabilities with respect to such claims.

In connection with our insurance operations, plaintiffs’ lawyers may bring or are bringing class actions and individual suits alleging, among other things, issues relating to sales or underwriting practices, claims payments and procedures, escheatment, product design, disclosure, administration, investments, denial or delay of benefits, lapse or termination of policies, cost of insurance and breaches of fiduciary or other duties to customers. Plaintiffs in class action and other lawsuits against us may seek very large or indeterminate amounts, including punitive and treble damages. 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 be difficult to ascertain. Material pending litigation and regulatory matters affecting us and risks to our business presented by these proceedings, if any, are discussed in Note 15 of the Notes to the Consolidated Financial Statements.

A substantial legal liability or a significant federal, state or other regulatory action against us, as well as regulatory inquiries or investigations, could harm our reputation, result in material fines or penalties, result in significant legal costs and otherwise have a material adverse effect on our business, financial condition and results of operations. Even if we ultimately prevail in the litigation, regulatory action or investigation, our ability to attract new customers and distributors, retain our current customers and distributors, and recruit and retain personnel could be materially and adversely impacted. Regulatory

inquiries and litigation may also cause volatility in the price of BHF securities and the securities of companies in our industry.

Current claims, litigation, unasserted claims probable of assertion, investigations and other proceedings against us, as well as any other disputes or other matters involving third parties, could have a material adverse effect on our business, financial condition and results of operations. It is also possible that related or unrelated claims, litigation, unasserted claims probable of assertion, investigations and proceedings may be commenced in the future, and we could become subject to further investigations and have lawsuits filed or enforcement actions initiated against us. Increased regulatory scrutiny and any resulting investigations or proceedings in any of the jurisdictions where we operate could result in new legal actions and precedents or changes in laws, rules or regulations that could adversely affect our business, financial condition and results of operations.

Operational Risks

Any gaps in our policies and procedures may leave us exposed to unidentified or unanticipated risk, which could negatively affect our business

We have developed policies and procedures to reflect the ongoing review of our risks and expect to continue to do so in the future. Nonetheless, our policies and procedures may not be fully effective, leaving us exposed to unidentified or unanticipated risks. Our remote work environment, introduced in response to the COVID-19 pandemic and where employees currently remain, could also introduce unforeseen operational exposures. In addition, we rely on third-party providers to administer and service many of our products, and our policies and procedures may not enable us to identify and assess every risk with respect to those products, especially to the extent we rely on those providers for detailed information regarding the holders of our products and other relevant information.

Many of our models for managing risk and exposures rely on assumptions that are based on observed historical financial and non-financial trends or projections of potential future exposure, and our assumptions and projections may be inaccurate. Business decisions based on incorrect or misused model output and reports could have a material adverse impact on our results of operations. If models are misused or fail to serve their intended purposes, they could produce incorrect or inappropriate results. Furthermore, models used by our business may not operate properly and could contain errors related to model inputs, data, assumptions, calculations, or output that may adversely impact our results of operations. These models may not fully predict future exposures, which may be significantly greater than our historical measures indicate.

Other risk management models depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that are publicly available or otherwise accessible to us. This information may not always be accurate, complete, up-to-date or properly evaluated. Furthermore, there can be no assurance that we can effectively review and monitor all risks or that all of our employees will follow our policies and procedures, nor can there be any assurance that our policies and procedures, or the policies and procedures of third parties that administer or service our products, will enable us to accurately identify all risks and limit our exposures based on our assessments. In addition, we may have to implement more extensive and perhaps different policies and procedures under pending regulations. See "— 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."

Any failure in cyber- or other information security systems, as well as the occurrence of events unanticipated in Brighthouse Financial's or our third-party service providers' disaster recovery systems and business continuity planning could result in a loss or disclosure of confidential information, damage to our reputation and impairment of our ability to conduct business effectively

Our business is highly dependent upon the effective operation of computer systems. For some of these systems, we rely on third parties, such as our outside vendors and distributors. We rely on these systems throughout our business for a variety of functions, including processing new business, claims, and post-issue transactions, providing information to customers and distributors, performing actuarial analyses, managing our investments and maintaining financial records. Such computer systems have been, and will likely continue to be, subject to a variety of forms of cyberattacks with the objective of gaining unauthorized access to our systems and data or disrupting our operations. These include, but are not limited to, phishing attacks, account takeover attempts, malware, ransomware, denial of service attacks, and other computer-related penetrations. Administrative and technical controls and other preventive actions taken to reduce the risk of cyber-incidents and protect our information technology may be insufficient to prevent physical and electronic break-ins, cyberattacks or other security breaches to such computer systems. In some cases, such physical and electronic break-ins, cyberattacks or other security breaches may not be immediately detected. This may impede or interrupt our business operations and could adversely affect our business, financial condition and results of operations.

A disaster such as a natural catastrophe, epidemic, pandemic, industrial accident, blackout, ransomware, computer virus, or other type of malware, terrorist attack, cyberattack or war, unanticipated problems with our or our vendors' disaster recovery systems (and the disaster recovery systems of such vendors' suppliers, vendors or subcontractors), could cause our computer systems to be inaccessible to our employees, distributors, vendors or customers or may destroy valuable data. In addition, in the event that a significant number of our or our vendors' managers were unavailable following a disaster, our ability to effectively conduct business could be severely compromised. These interruptions also may interfere with our suppliers' ability to provide goods and services and our employees' ability to perform their job responsibilities. In addition, our transition to our flexible, hybrid work model, which allows our employees the option to work fully remote, could increase our operational risk, including, but not limited to, cybersecurity risks, and could impair our ability to manage our business.

A failure of our or relevant third-party (or such third-party's supplier's, vendor's or subcontractor's computer systems) computer systems could cause significant interruptions in our operations, result in a failure to maintain the security, confidentiality or privacy of sensitive data, harm our reputation, subject us to regulatory sanctions and legal claims, lead to a loss of customers and revenues, and otherwise adversely affect our business and financial results. Our cyber liability insurance may not be sufficient to protect us against all losses. See also "— Any failure to protect the confidentiality of client and employee information could adversely affect our reputation and have a material adverse effect on our business, financial condition and results of operations."

Our associates and those of our third-party service providers may take excessive risks which could negatively affect our financial condition and business

As an insurance enterprise, we are in the business of accepting certain risks. The associates who conduct our business include executive officers and other members of management, sales intermediaries, investment professionals, product managers, and other associates, as well as associates of our various third-party service providers. Each of these associates makes decisions and choices that may expose us to risk. These include decisions such as setting underwriting guidelines and standards, product design and pricing, determining what assets to purchase for investment and when to sell them, which business opportunities to pursue, and other decisions. Associates may take excessive risks regardless of the structure of our compensation programs and practices. Similarly, our controls and procedures designed to monitor associates' business decisions and prevent them from taking excessive risks, and to prevent employee misconduct, may not be effective. If our associates and those of our third-party service providers take excessive risks, the impact of those risks could harm our reputation and have a material adverse effect on our financial condition and results of operations.

Any failure to protect the confidentiality of client and employee information could adversely affect our reputation and have a material adverse effect on our business, financial condition and results of operations

Federal and state legislatures and various government agencies have established laws and regulations protecting the privacy and security of personal information. See "Business — Regulation — Cybersecurity Regulation." Our third-party service-providers and our employees have access to, and routinely process, personal information through a variety of media, including information technology systems. It is possible that an employee or third-party service provider (or their suppliers, vendors or subcontractors) could, intentionally or unintentionally, disclose or misappropriate confidential personal information, and there can be no assurance that our information security policies and systems in place can prevent unauthorized use or disclosure of confidential information, including nonpublic personal information. Additionally, our data has been the subject of cyberattacks and could be subject to additional attacks. If we or any of our third-party service providers (or their suppliers, vendors or subcontractors) fail to maintain adequate internal controls or if our associates fail to comply with our policies and procedures, misappropriation or intentional or unintentional inappropriate disclosure or misuse of employee or client information could occur. Any data breach or unlawful disclosure of confidential personal information could materially damage our reputation or lead to civil or criminal penalties, which, in turn, could have a material adverse effect on our business, financial condition and results of operations. See "— Any failure in cyber- or other information security systems, as well as the occurrence of events unanticipated in Brighthouse Financial's or our third-party service providers' disaster recovery systems and business continuity planning could result in a loss or disclosure of confidential information, damage to our reputation and impairment of our ability to conduct business effectively." In addition, compliance with complex variations in privacy and data security laws may require modifications to current business practices.

Furthermore, there has been increased scrutiny as well as enacted and proposed additional regulation, including from state regulators, regarding the use of customer data. We may analyze customer data or input such data into third-party analytics in order to better manage our business. Any inquiry in connection with our analytics business practices, as well as any misuse or alleged misuse of those analytics insights, could cause reputational harm or result in regulatory enforcement actions or litigation, and any related limitations imposed on us could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Separation from, and Continuing Relationship with, MetLife

If the Separation were to fail to qualify for non-recognition treatment for federal income tax purposes, then we could be subject to significant tax liabilities

In connection with the Separation, MetLife received a private letter ruling from the Internal Revenue Service ("IRS") regarding certain significant issues under the Tax Code, as well as an opinion from its tax advisor that, subject to certain limited exceptions, the Separation qualifies for non-recognition of gain or loss to MetLife and MetLife's shareholders pursuant to Sections 355 and 361 of the Tax Code. Notwithstanding the receipt of the private letter ruling and the tax opinion, the tax opinion is not binding on the IRS or the courts, and the IRS could determine that the Separation should be treated as a taxable transaction and, as a result, we could incur significant federal income tax liabilities, and we could have an indemnification obligation to MetLife.

Generally, taxes resulting from the failure of the Separation to qualify for non-recognition treatment for federal income tax purposes would be imposed on MetLife or MetLife's shareholders. Under the tax separation agreement with MetLife, Inc. (the "Tax Separation Agreement"), MetLife is generally obligated to indemnify us against such taxes if the failure to qualify for tax-free treatment results from, among other things, any action or inaction that is within MetLife's control. MetLife may dispute an indemnification obligation to us under the Tax Separation Agreement, and there can be no assurance that MetLife will be able to satisfy its indemnification obligation to us or that such indemnification will be sufficient for us in the event of nonperformance by MetLife. The failure of MetLife to fully indemnify us could have a material adverse effect on our financial condition and results of operations.

In addition, MetLife will generally bear tax-related losses due to the failure of certain steps that were part of the Separation to qualify for their intended tax treatment. However, the IRS could seek to hold us responsible for such liabilities, and under the Tax Separation Agreement, we could be required, under certain circumstances, to indemnify MetLife and its affiliates against certain tax-related liabilities caused by those failures. If the Separation does not qualify for non-recognition treatment or if certain other steps that are part of the Separation do not qualify for their intended tax treatment, we could be required to pay material additional taxes or be obligated to indemnify MetLife, which could have a material adverse effect on our financial condition and results of operations.

The Separation was also subject to tax rules regarding the treatment of certain of our tax attributes (such as the basis in our assets). In certain circumstances such rules could require us to reduce those attributes, which could materially and adversely affect our financial condition. The ultimate tax consequences to us of the Separation may not be finally determined for many years and may differ from the tax consequences that we and MetLife expected at the time of the Separation. As a result, we could be required to pay material additional taxes and to materially reduce the tax assets (or materially increase the tax liabilities) on our consolidated balance sheet. These changes could impact our available capital, ratings or cost of capital. There can be no assurance that the Tax Separation Agreement will protect us from any such consequences, or that any issue that may arise will be subject to indemnification by MetLife under the Tax Separation Agreement. As a result, our financial condition and results of operations could be materially and adversely affected.

Disputes or disagreements with MetLife may affect our financial statements and business operations, and our contractual remedies may not be sufficient

In connection with the Separation, we entered into certain agreements that provide a framework for our ongoing relationship with MetLife, including a transition services agreement, the Tax Separation Agreement and a tax receivables agreement that provides MetLife with the right to receive future payments from us as partial consideration for its contribution of assets to us. Disagreements regarding the obligations of MetLife or us under these agreements could create disputes that may be resolved in a manner unfavorable to us and our shareholders. In addition, there can be no assurance that any remedies available under these agreements will be sufficient to us in the event of a dispute or nonperformance by MetLife. The failure of MetLife to perform its obligations under these agreements (or claims by MetLife that we have failed to perform our obligations under the agreements) may have a material adverse effect on our financial condition and results of operations.

In addition, the Master Separation Agreement provides that, subject to certain exceptions, we will indemnify, hold harmless and defend MetLife and certain related individuals from and against all liabilities relating to, arising out of or resulting from certain events relating to our business. We cannot predict whether any event triggering this indemnity will occur or the extent to which we may be obligated to indemnify MetLife or such related individuals. In addition, the Master Separation Agreement provides that, subject to certain exceptions, MetLife will indemnify, hold harmless and defend us and certain related individuals from and against all liabilities relating to, arising out of or resulting from certain events relating to its business. There can be no assurance that MetLife will be able to satisfy its indemnification obligation to us or that such indemnification will be sufficient to us in the event of a dispute or nonperformance by MetLife.

Risks Related to Our Securities

The price of our securities, including our common stock, may fluctuate significantly

We cannot predict the prices at which our securities, including our common stock, may trade. The market price of our securities, including our common stock, may fluctuate widely, depending on many factors, some of which may be beyond our control, including factors which are described elsewhere in these Risk Factors.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations could also adversely affect the trading price of our securities, including our common stock.

We currently have no plans to declare and pay dividends on our common stock, and legal restrictions could limit our ability to pay dividends on our capital stock and our ability to repurchase our common stock at the level we wish

We currently have no plans to declare and pay cash dividends on our common stock. We currently intend to use our future distributable earnings, if any, to pay debt obligations, to fund our growth, to develop our business, for working capital needs, to carry out any share or debt repurchases that we may undertake, as well as for general corporate purposes. Therefore, you are not likely to receive any dividends on your common stock in the near-term, and the success of an investment in shares of our common stock will depend upon any future appreciation in their value. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which the shares currently trade. 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 many factors, including our financial condition, earnings, cash needs, regulatory constraints, capital requirements (including capital requirements of our insurance subsidiaries), 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 on our common stock, or as to the amount of any such dividends, distributions or returns of capital.

In addition, the terms of the agreements governing our outstanding indebtedness and preferred stock, as well as debt and other financial instruments that we may issue in the future, may limit or prohibit the payment of dividends on our common stock or preferred stock, or the payment of interest on our junior subordinated debentures. For example, terms applicable to our junior subordinated debentures may restrict our ability to pay interest on those debentures in certain circumstances. Suspension of payments of interest on our junior subordinated debentures, whether required under the relevant indenture or optional, could cause “dividend stopper” provisions applicable under those and other instruments to restrict our ability to pay dividends on our common stock and repurchase our common stock in various situations, including situations where we may be experiencing financial stress, and may restrict our ability to pay dividends or interest on our preferred stock and junior subordinated debentures as well. Similarly, the terms of our outstanding preferred stock and any preferred securities we may issue in the future may contain restrictions on our ability to repurchase our common stock or pay dividends thereon if we have not fulfilled our dividend obligations under such preferred stock or other preferred securities.

State insurance laws and Delaware corporate law, as well as certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws, may prevent or delay an acquisition of us, which could decrease the trading price of our common stock

State laws may delay, deter, prevent or render more difficult a takeover attempt that our stockholders might consider in their best interests. For example, such laws may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Delaware law also imposes some restrictions on mergers and other business combinations between the Company and “interested stockholders.” An “interested stockholder” is defined to include persons who, together with affiliates, own, or did own within three years prior to the determination of interested stockholder status, 15% or more of the outstanding voting stock of a corporation.

The insurance laws and regulations of the various states in which our insurance subsidiaries are organized may delay or impede a business combination involving the Company. State insurance laws prohibit an entity from acquiring control of an insurance company without the prior approval of the domestic insurance regulator. Under most states’ statutes, an entity is presumed to have control of an insurance company if it owns, directly or indirectly, 10% or more of the voting stock of that insurance company or its parent company. See “Business — Regulation — Insurance Regulation — Holding Company Regulation.” These regulatory restrictions may delay, deter or prevent a potential merger or sale of our company, even if our Board of Directors decides that it is in the best interests of stockholders for us to merge or be sold. These restrictions also may delay sales by us or acquisitions by third parties of our insurance subsidiaries. In addition, the Investment Company Act may require approval by the contract owners of our variable contracts in order to effectuate a change of control of any affiliated investment advisor to a mutual fund underlying our variable contracts, including Brighthouse Advisers. Further,

FINRA approval would be necessary for a change of control of any broker-dealer that is a direct or indirect subsidiary of BHF.

In addition, our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may deter coercive takeover practices and inadequate takeover bids and may encourage prospective acquirers to negotiate with our Board of Directors rather than attempt a hostile takeover, including provisions relating to: (i) the nomination, election and removal of directors (including, for example, the ability of our remaining directors to fill vacancies and newly created directorships on our Board of Directors); (ii) the super-majority vote of at least two-thirds in voting power of the issued and outstanding voting stock entitled to vote thereon, voting together as a single class, to amend our amended and restated bylaws and certain provisions of our amended and restated certificate of incorporation; and (iii) the right of our Board of Directors to issue preferred stock without stockholder approval. These provisions are not intended to prevent us from being acquired under hostile or other circumstances. However, these provisions will apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our Board of Directors determines is not in the best interests of Brighthouse Financial and our stockholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Not material.

Item 3. Legal Proceedings

See Note 15 of the Notes to the Consolidated Financial Statements.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Issuer Common Equity

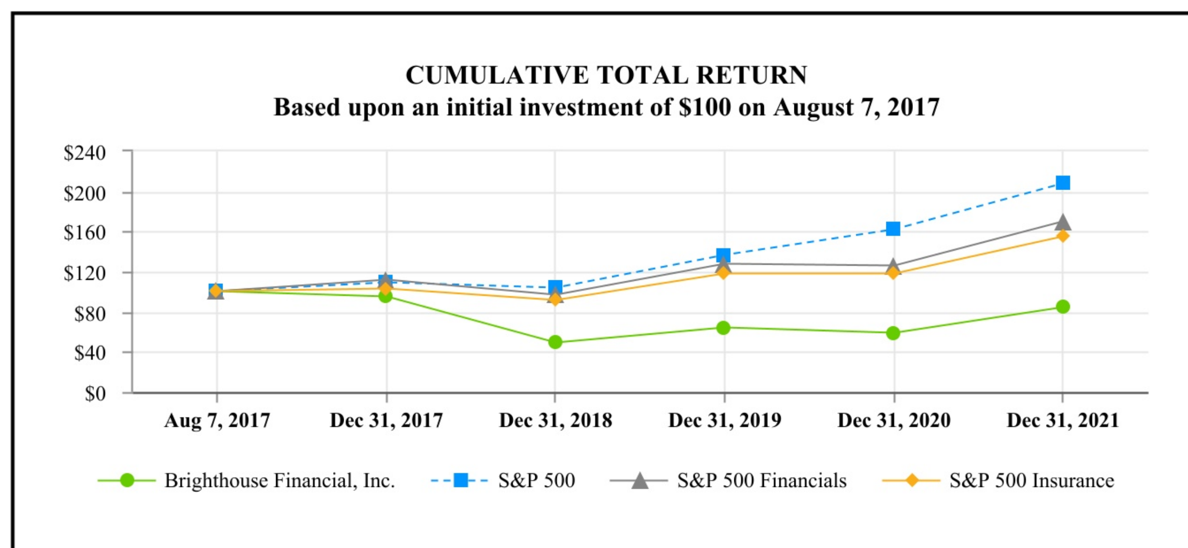
BHF’s common stock, par value $0.01 per share, trades on the Nasdaq under the symbol “BHF.”

As of February 18, 2022, there were approximately 1.5 million registered holders of record of our common stock. The actual number of holders of our common stock is substantially greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in “street name” by banks, brokers, and other financial institutions.

We currently have no plans to declare and pay dividends on our common stock. See “Risk Factors — Risks Related to Our Securities — We currently have no plans to declare or pay dividends on our common stock, and legal restrictions could limit our ability to pay dividends on our capital stock and our ability to repurchase our common stock at the level we wish” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Capital.”

Stock Performance Graph

The graph and table below present BHF’s cumulative total shareholder return relative to the performance of (1) the S&P 500 Index, (2) the S&P 500 Financials Index and (3) the S&P 500 Insurance Index, respectively, for the five-year period ended December 31, 2021, commencing August 7, 2017 (our initial day of “regular-way” trading on the Nasdaq). All values assume a $100 initial investment at the opening price of BHF’s common stock on the Nasdaq and data for each of the S&P 500 Index, the S&P 500 Financials Index and the S&P 500 Insurance Index assume all dividends were reinvested on the date paid. The points on the graph and the values in the table represent month-end values based on the last trading day of each month. The comparisons are based on historical data and are not indicative of, nor intended to forecast, the future performance of our common stock.



	Aug 7, 2017	Dec 31, 2017	Dec 31, 2018	Dec 31, 2019	Dec 31, 2020	Dec 31, 2021
BHF common stock	$ 100.00	$ 95.01	$ 49.38	$ 63.56	$ 58.66	$ 83.93
S&P 500	$ 100.00	$ 108.66	$ 103.90	$ 136.61	$ 161.75	$ 208.18
S&P 500 Financials	$ 100.00	$ 111.19	$ 96.70	$ 127.77	$ 125.60	$ 169.61
S&P 500 Insurance	$ 100.00	$ 102.71	$ 91.20	$ 117.99	$ 117.48	$ 155.21

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 December 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)
October 1 — October 31, 2021	1,052,990	$ 49.32	1,052,990	$ 887
November 1 — November 30, 2021	966,411	$ 52.89	966,284	$ 836
December 1 — December 31, 2021	1,080,802	$ 50.56	1,080,802	$ 781
Total	3,100,203		3,100,076	

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(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 August 2, 2021, we authorized the repurchase of up to $1.0 billion of our common stock, which is in addition to the $200 million repurchase authorization announced on February 10, 2021. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Primary Uses of Liquidity and Capital — Common Stock Repurchases” and Note 10 of the Notes to the Consolidated Financial Statements for more information on common stock repurchases.

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

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The following discussion may contain forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those factors discussed below and elsewhere in this report, particularly in "Note Regarding Forward-Looking Statements and Summary of Risk Factors" and "Risk Factors." This Management's Discussion and Analysis of Financial Condition and Results of Operations should also be read in conjunction with "Quantitative and Qualitative Disclosures About Market Risk" and our consolidated financial statements included elsewhere herein.

Introduction

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 Financial for the periods indicated. In addition to Brighthouse Financial, Inc., the companies and businesses included in the results of operations, financial condition and cash flows are:

- Brighthouse Life Insurance Company (together with its subsidiaries and affiliates, "BLIC"), our largest insurance subsidiary, domiciled in Delaware and licensed to write business in all U.S. states (except New York), the District of Columbia, the Bahamas, Guam, Puerto Rico, the British Virgin Islands and the U.S. Virgin Islands;
- New England Life Insurance Company ("NELICO"), domiciled in Massachusetts and licensed to write business in all U.S. states and the District of Columbia;
- Brighthouse Life Insurance Company of NY ("BHNY"), domiciled in New York and licensed to write business only in New York, which is a subsidiary of Brighthouse Life Insurance Company;
- Brighthouse Reinsurance Company of Delaware ("BRCD"), our reinsurance subsidiary domiciled and licensed in Delaware, which is a subsidiary of Brighthouse Life Insurance Company;
- Brighthouse Investment Advisers, LLC ("Brighthouse Advisers"), serving as investment advisor to certain proprietary mutual funds that are underlying investments under our and MetLife's variable insurance products;
- Brighthouse Services, LLC ("Brighthouse Services"), an internal services and payroll company;
- Brighthouse Securities, LLC ("Brighthouse Securities"), registered as a broker-dealer with the SEC, approved as a member of FINRA and registered as a broker-dealer and licensed as an insurance agency in all required states; and
- Brighthouse Holdings, LLC ("BH Holdings"), a direct holding company subsidiary of Brighthouse Financial, Inc. domiciled in Delaware.

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

- "Executive Summary" provides summarized information regarding our business, segments and financial results.
- "Risk Management Strategies" describes the Company's risk management strategy to protect against capital markets risks specific to our variable annuity and universal life with secondary guarantees ("ULSG") businesses.
- "Industry Trends and Uncertainties" discusses updates and changes to a number of trends and uncertainties that we believe may materially affect our future financial condition, results of operations or cash flows, including from the COVID-19 pandemic.
- "Summary of Critical Accounting Estimates" explains the most critical estimates and judgments applied in determining our GAAP results.
- "Non-GAAP and Other Financial Disclosures" defines key financial measures presented in our results of operations discussion 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.
- "Results of Operations" begins with a discussion of our AAR, including a summary of the changes made to the key assumptions in 2021 and 2020, as well as the resulting impact on net income (loss) available to shareholders in each period.

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 U.S. through multiple independent distribution channels and marketing arrangements with a diverse network of distribution partners. We are organized into three segments: (i) Annuities, (ii) Life and (iii) Run-off, which consists of products that are no longer actively sold and are separately managed. In addition, we report certain of our results of operations in Corporate & Other. See "Business — Segments and Corporate & Other" and Note 2 of the Notes to the 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:

	Years Ended December 31,	
	2021	2020
	(In millions)	
Income (loss) available to shareholders before provision for income tax	$ (302)	$ (1,468)
Less: Provision for income tax expense (benefit)	(105)	(363)
Net income (loss) available to shareholders (1)	$ (197)	$ (1,105)
Pre-tax adjusted earnings, less net income (loss) attributable to noncontrolling interests and preferred stock dividends	$ 1,961	$ (421)
Less: Provision for income tax expense (benefit)	368	(143)
Adjusted earnings	$ 1,593	$ (278)

(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 year ended December 31, 2021, we had a net loss available to shareholders of $197 million and adjusted earnings of $1.6 billion, compared to a net loss available to shareholders of $1.1 billion and an adjusted loss of $278 million for the year ended December 31, 2020. The net loss available to shareholders for the year ended December 31, 2021 is primarily due to net unfavorable changes in the estimated fair value of our guaranteed minimum living benefits ("GMLB") riders ("GMLB Riders") partially offset by favorable pre-tax adjusted earnings. GMLB Riders results reflect impacts from higher equity markets and interest rates, as well as narrowing credit spreads resulting in an unfavorable adjustment for nonperformance risk.

See "— Non-GAAP and Other Financial Disclosures." See "— Results of Operations" for a detailed discussion of our results. See Note 1 of the Notes to the Consolidated Financial Statements for information regarding the adoption of new accounting pronouncements in 2021.

Risk Management Strategies

We employ risk management strategies to protect against capital markets risk. These strategies are specific to our variable annuity and ULSG businesses, and they also include a macro hedge strategy to manage our exposure to interest rate risk.

Interest Rate Hedging

We are exposed to interest rate risk in most of our products, with the more significant longer dated exposure residing in our in-force variable annuity guarantees and ULSG business. Historically, we individually managed the interest rate risk in these two blocks with hedge targets based on statutory metrics designed principally to protect the capital of our largest insurance subsidiary, BLIC.

Since the adoption of VA Reform, the capital metric of combined RBC ratio aligns with our management metrics and more holistically captures interest rate risk. We manage the interest rate risk in our variable annuity and ULSG businesses together, although individual hedge targets still exist for variable annuities and ULSG. Accordingly, the related portfolio of interest rate derivatives are managed in the aggregate with rebalancing and trade executions determined by the net exposure. By managing the interest rate exposure on a net basis, we expect to more efficiently manage the derivative portfolio, protect capital and reduce costs. We refer to this aggregated approach to managing interest rate risk as our macro interest rate

hedging program. This program may also include hybrid options that have other risk exposure in addition to interest rate exposure.

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

	December 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)					
Interest rate swaps	$ 1,780	$ 229	$ 17	$ 2,180	$ 358	$ —
Interest rate options	8,050	83	—	25,980	712	121
Interest rate forwards	9,808	627	109	8,086	851	78
Hybrid options	900	8	—	—	—	—
Total	$ 20,538	$ 947	$ 126	$ 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 aggregate interest rate derivatives are then allocated to the variable annuity guarantee and ULSG businesses based on the hedge targets of the respective programs as of the balance sheet date. Allocations are primarily for purposes of calculating certain product specific metrics needed to run the business which in some cases are still individually measured and to facilitate the quarterly settlement of reinsurance activity associated with BRCD. We intend to maintain an adequate amount of liquid investments in the investment portfolios supporting these businesses to cover any contingent collateral posting requirements from this hedging strategy.

Variable Annuity Exposure Risk Management

With the adoption of VA Reform, our management of and our hedging strategy associated with our variable annuity business aligns with the regulatory framework. Given this alignment and the fact that we have a large non-variable annuity business, we manage capital metrics on a combined RBC ratio. In support of our target combined 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 CTE98 level in normal market conditions. We refer to our target level of assets as our Variable Annuity Target Funding Level. We have enhanced our risk management focus on the core drivers of our combined RBC ratio and have refined our hedge program to better manage our RBC in stressed market scenarios. See “Glossary” for the definition of CTE98.

Our exposure risk management program seeks to mitigate the potential adverse effects of changes in capital markets, specifically equity markets and interest rates, on our Variable Annuity Target Funding Level, as well as on our statutory distributable earnings. We utilize a combination of short-term and longer-term derivative instruments to establish a layered maturity of protection, which we believe will reduce rollover risk during periods of market disruption or higher volatility. When setting our hedge target, we consider the fact that our obligations under Shield Annuity contracts decrease in falling equity markets when variable annuity guarantee obligations increase, and increase in rising equity markets when variable annuity guarantee obligations decrease. Shield Annuities are included with variable annuities in our statutory reserve requirements, as well as in our CTE estimates. See “Glossary” for the definition of CTE.

We continually review our hedging strategy in the context of our overall capitalization targets as well as monitor the capital markets for opportunities to adjust our derivative positions to manage our variable annuity exposure, as appropriate.

We revised our hedging strategy in 2019 to reduce the use of options and move to more swap-based instruments to protect statutory capital against smaller market moves. This strategy is designed to preserve distributable earnings across more market scenarios. While we have generally experienced lower time decay expense as a result of adopting this strategy, we also expect to incur larger hedge mark-to-market losses in rising equity markets as compared to our previous strategy. We intend to maintain an adequate amount of liquid investments in our variable annuity investment portfolio to support any contingent collateral posting requirements from this hedging strategy.

Under this strategy, we plan to operate with a first loss position of no more than $500 million. The first loss position is relative to our Variable Annuity Target Funding Level such that the impact on reserves and thus total adjusted capital could be greater than the first loss position. However, under such a scenario there would be an offset in required statutory capital.

We believe the increased capital protection in down markets increases our financial flexibility and supports deploying capital for growing long-term, sustainable shareholder value. However, because our hedging strategy places a low priority on offsetting changes to GAAP liabilities, GAAP net income volatility will likely result when markets are volatile and over time potentially impact stockholders' equity. 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" and "— Summary of Critical Accounting Estimates."

The gross notional amount and estimated fair value of the derivatives held 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:

Instrument Type	December 31, 2021			December 31, 2020		
	Gross Notional Amount (1)	Estimated Fair Value		Gross Notional Amount (1)	Estimated Fair Value	
		Assets	Liabilities		Assets	Liabilities
	(In millions)					
Equity index options	$ 20,695	$ 889	$ 876	$ 28,955	$ 942	$ 838
Equity total return swaps	32,719	493	588	15,056	143	822
Equity variance swaps	281	9	1	1,098	13	20
Interest rate swaps	1,780	229	17	2,180	358	—
Interest rate options	7,450	28	—	24,780	531	121
Interest rate forwards	4,440	218	13	3,466	208	26
Hybrid options	900	8	—	—	—	—
Total	$ 68,265	$ 1,874	$ 1,495	$ 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.

ULSG Market Risk Exposure Management

The ULSG block includes the business retained by our insurance subsidiaries and the portion of it that is ceded to BRCD for providing redundant, non-economic reserve financing support. The primary market risk associated with our ULSG block is the uncertainty around the future levels of U.S. interest rates and bond yields. To help ensure we have sufficient assets to meet future ULSG policyholder obligations, we have employed an actuarial approach based upon NY Regulation 126 Cash Flow Testing ("ULSG CFT") to set our ULSG asset requirement target for BRCD, which reinsures the majority of the ULSG business written by our insurance subsidiaries. For the business retained by our insurance subsidiaries, we set our ULSG asset requirement target to equal the actuarially determined statutory reserves, which, taken together with our ULSG asset requirement target of BRCD, comprises our total ULSG asset requirement target ("ULSG Target"). Under the ULSG CFT approach, we assume that interest rates remain flat or lower than current levels and our actuarial assumptions include a provision for adverse deviation. These underlying assumptions used in ULSG CFT are more conservative than those required under GAAP, which assumes a long-term upward mean reversion of interest rates and best estimate actuarial assumptions without additional provisions for adverse deviation.

We seek to mitigate interest rate exposures associated with these liabilities by holding ULSG Assets to closely match our ULSG Target under different interest rate environments. "ULSG Assets" are defined as (i) total general account assets supporting statutory reserves and capital in the ULSG portfolios of our insurance subsidiaries and BRCD and (ii) interest rate derivative instruments allocated from the macro interest rate hedging program to mitigate ULSG interest rate exposures.

The net statutory reserves for the ULSG business in our insurance subsidiaries and BRCD (which is in part supported by reserve financings) were $22.8 billion and $22.1 billion for the years ended December 31, 2021 and 2020, respectively.

Our ULSG Target is sensitive to the actual and future expected level of long-term U.S. interest rates. If interest rates fall, our ULSG Target increases. Likewise, if interest rates rise, our ULSG Target declines. The interest rate derivatives allocated to ULSG Assets prioritizes the ULSG Target (comprised of ULSG CFT and statutory considerations), with less emphasis on

mitigating GAAP net income volatility. This could increase the period to period volatility of net income and equity due to differences in the sensitivity of the ULSG Target and GAAP liabilities to the changes in interest rates.

We closely monitor the sensitivity of our ULSG Assets and ULSG Target to changes in interest rates. We seek to maintain ULSG Assets above the ULSG Target across a wide range of interest rate scenarios. At December 31, 2021, BRCD assets exceeded the ULSG CFT requirement. In addition, our macro interest rate hedging program is designed to help us maintain ULSG Assets above the ULSG Target when interest rates decline. Maintaining ULSG Assets that closely match our ULSG Target supports our target combined RBC ratio of between 400% and 450% in normal market conditions.

Industry Trends and Uncertainties

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. In addition, the following factors represent 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.

COVID-19 Pandemic

We continue to closely monitor developments related to the COVID-19 pandemic, which has negatively impacted us in certain respects, as discussed below. At this time, it continues to not be possible to estimate the severity or duration of the pandemic, including (i) the severity, duration and frequency of any additional "waves" or emerging variants of COVID-19 and (ii) the efficacy or utilization of any therapeutic treatments and vaccines for COVID-19 or variants thereof. It likewise remains 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 any targets we may provide to the markets or aspects of our business model. 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."

In response to the COVID-19 pandemic, management promptly implemented our business continuity plans, and we shifted all our employees to a remote-work environment, where they currently remain. Our sales and support teams remain fully operational, and the COVID-19 pandemic has not interrupted our ability to service our distribution partners and customers. Additionally, we continue to closely monitor all aspects of our business, including but not limited to, levels of sales and claims activity, policy lapses or surrenders, payments of premiums, sources and uses of liquidity, the valuation of our investments and the performance of our derivatives programs. We have observed varying degrees of impact in these areas, and we have taken prudent and proportionate measures to address such impacts; however, at this time we continue to be unable to predict if the COVID-19 pandemic will have a material adverse impact on our business, financial condition or results of operations. We continue to closely monitor this evolving situation as we remain focused on ensuring the health and safety of our employees, on supporting our partners and customers as usual and on mitigating potential adverse impacts to our business.

Economic uncertainty resulting from the COVID-19 pandemic continues to impact sales of certain of our products, and we are providing relief to customers affected by adverse circumstances due to the COVID-19 pandemic, as disclosed in "Business — Regulation — Insurance Regulation." While the relief granted to customers to date has not had a material impact on our financial condition or results of operations, it continues to not be possible to estimate the potential impact of any future relief. Circumstances resulting from the COVID-19 pandemic have also impacted the incidence of claims, the utilization of benefits, lapses or surrenders of policies and payments on insurance premiums, though such impacts have not been material through the end of 2021. Additionally, while circumstances resulting from the COVID-19 pandemic have not materially impacted services we receive from third-party vendors or led to the identification of new loss contingencies or any increases in existing loss contingencies, there can be no assurance that any future impact from the COVID-19 pandemic, including, without limitation, with respect to revenues and expenses associated with our products, services we receive from third-party vendors, or loss contingencies, will not be material.

Certain sectors of our investment portfolio may have been, and may in the future be, adversely affected as a result of the impact of the COVID-19 pandemic on capital markets and the global economy, as well as uncertainty regarding its duration and outcome. See "— Investments — Current Environment — Selected Sector Investments," "— Investments — Mortgage

Loans — Loan Modifications Related to the COVID-19 Pandemic" and Note 6 of the Notes to the Consolidated Financial Statements.

Credit rating agencies may continue to review and adjust their ratings for the companies that they rate, including us. The credit rating agencies also evaluate the insurance industry as a whole and may change our credit rating based on their overall view of our industry. 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" and "— Liquidity and Capital Resources — The Company — Rating Agencies."

Changes in Accounting Standards

Our financial statements are subject to the application of GAAP, which is periodically revised by the FASB. The FASB issued an accounting standards update ("ASU"), effective January 1, 2023, that will result in significant changes to the accounting for long-duration insurance contracts, including a requirement that all variable annuity guarantees be considered market risk benefits and measured at fair value. The Company is evaluating the new guidance and therefore is unable to estimate the impact on its financial statements. The ASU will change the pattern and market sensitivity of our results of operations, including our net income, and, at prevailing interest rate levels at the end of 2021, the Company expects the ASU, upon adoption, would likely result in a material decrease in stockholders' equity.

Financial and Economic Environment

Our business and results of operations are materially affected by conditions in the capital markets and the economy generally. Stressed conditions, volatility and disruptions in the capital markets or financial asset classes can have an adverse effect on us. Equity market performance can affect our profitability for variable annuities and other separate account products as a result of the effects it has on product demand, revenues, expenses, reserves and our risk management effectiveness. The level of long-term interest rates and the shape of the yield curve can have a negative effect on the profitability for variable annuities and the demand for, and the profitability of, spread-based products such as fixed annuities, index-linked annuities and universal life insurance. Low interest rates and risk premium, including credit spread, affect new money rates on invested assets and the cost of product guarantees. Insurance premium growth and demand for our products is impacted by the general health of U.S. economic activity. A sustained or material increase in inflation could also affect our business in several ways. During inflationary periods, the value of fixed income investments falls which could increase realized and unrealized losses. Interest rates may increase due to central bank policy responses to combat inflation, which may positively impact our business in certain respects, but could also increase the risk of a recession or an equity market downturn and could negatively impact various portions of our business, including our investment portfolio. Inflation also increases our expenses (including, among others, for labor and third-party services), potentially putting pressure on profitability if such costs cannot be passed through to policyholders in our product prices. Prolonged and elevated inflation could adversely affect the financial markets and the economy generally and dispelling it may require governments to pursue a restrictive fiscal and monetary policy, which could constrain overall economic activity and inhibit revenue growth. See "Risk Factors — Economic Environment and Capital Markets-Related Risks — If difficult conditions in the capital markets and the U.S. economy generally persist or are perceived to persist, they may materially adversely affect our business and results of operations."

The above factors affect our expectations regarding future margins, which in turn, affect the amortization of certain of our intangible assets such as DAC. Significantly lower expected margins may cause us to accelerate the amortization of DAC, thereby reducing net income in the affected reporting period. We review our long-term assumptions about capital markets returns and interest rates, along with other assumptions such as contract holder behavior, as part of our annual actuarial review. As additional company specific or industry information on contract holder behavior becomes available, related assumptions may change and may potentially have a material impact on liability valuations and net income.

Demographics

We believe that demographic trends in the U.S. population, the increase in under-insured individuals, the potential risk to governmental social safety net programs and the shifting of responsibility for retirement planning and financial security from employers and other institutions to individuals, highlight the need of individuals to plan for their long-term financial security and will create opportunities to generate significant demand for our products.

By focusing our product development and marketing efforts to meeting the needs of certain targeted customer segments identified as part of our strategy, we will be able to focus on offering a smaller number of products that we believe are appropriately priced given current economic conditions. We believe this strategy will benefit our expense ratio thereby increasing our profitability.

Competitive Environment

The life insurance industry remains highly fragmented and competitive. See “Business — Competition”. In particular, we believe that financial strength and financial flexibility are highly relevant differentiators from the perspective of customers and distributors. We believe we are adequately positioned to compete in this environment.

Regulatory Developments

Our insurance subsidiaries and 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 ERISA, 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.”

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 Consolidated Financial Statements.

The most critical estimates include those used in determining:

- liabilities for future policy benefits;
- amortization of 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 below and in Note 1 of the Notes to the Consolidated Financial Statements.

Liability for Future Policy Benefits

Future policy benefits for traditional long-duration insurance contracts (term, whole life insurance and income annuities) are payable over an extended period of time and the related liabilities are equal to the present value of future expected benefits to be paid, reduced by the present value of future expected net premiums. Assumptions used to measure the liability are based on the Company’s experience and include a margin for adverse deviation. The most significant assumptions used in the establishment of liabilities for future policy benefits are mortality, benefit election and utilization, withdrawals, policy lapse and investment returns. These assumptions, intended to estimate the experience for the period the policy benefits are payable, are established at the time the policy is issued and are not updated unless a premium deficiency exists. Utilizing these assumptions, liabilities are established for each line of business. If experience is less favorable than assumed and a premium deficiency exists, DAC may be reduced, or additional insurance liabilities established, resulting in a reduction in earnings.

Future policy benefit liabilities for GMDBs and certain GMIBs relating to variable annuity contracts are based on estimates of the expected value of benefits in excess of the projected account balance, recognizing the excess ratably over the accumulation period based on total expected assessments. The most significant assumptions for variable annuity guarantees included in future policyholder benefits are projected general account and separate account investment returns, as well as policyholder behavior, including mortality, benefit election and utilization, and withdrawals.

Future policy benefit liabilities for ULSG are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero using a range of scenarios and recognizing those benefits ratably over the contract period based on total expected assessments. The Company also maintains a profit followed by losses reserve on universal life insurance with secondary guarantees, determined by projecting future earnings and establishing a liability to offset losses that are expected to occur in later years. The most significant assumptions used in estimating our ULSG

liabilities are the general account rate of return, premium persistency, mortality and lapses, which are reviewed and updated at least annually.

The measurement of our ULSG liabilities can be significantly impacted by changes in our expected general account rate of return, which is driven by our assumption for long-term treasury yields. Our practice of projecting treasury yields uses a mean reversion approach that assumes that long-term interest rates are less influenced by short-term fluctuations and are only changed when sustained interim deviations are expected. Our current projections assume reversion to a ten-year treasury rate of 3.00% over a period of ten years. As part of our 2021 AAR, we increased our projected long-term general account earned rate, while maintaining our mean reversion rate at 3.00%, which resulted in a decrease in our ULSG liabilities of $12 million. We also updated other assumptions related to ULSG, see "— Results of Operations — Annual Actuarial Review" for more information.

We regularly review our assumptions supporting our estimates of all actuarial liabilities for future policy benefits. For universal life insurance and variable annuity product guarantees, assumptions are updated periodically, whereas for traditional long-duration insurance contracts, assumptions are established at inception and not updated unless a premium deficiency exists. We also review our liability projections to determine if profits are projected in earlier years followed by losses projected in later years, which could require us to establish an additional liability. We aggregate insurance contracts by product and segment in assessing whether a premium deficiency or profits followed by losses exists. Differences between actual experience and the assumptions used in pricing our policies and guarantees, as well as adjustments to the related liabilities, result in changes to earnings.

See Note 1 of the Notes to the Consolidated Financial Statements for additional information on our accounting policy relating to variable annuity guarantees and the liability for future policy benefits.

Deferred Policy Acquisition Costs

DAC represents deferred costs that relate directly to the successful acquisition or renewal of insurance contracts. The recovery of DAC is dependent upon the future profitability of the related business.

DAC related to deferred annuities and universal life insurance contracts is amortized based on expected future gross profits, which is determined by using assumptions consistent with measuring the related liabilities. DAC balances and amortization for variable annuity and universal life insurance contracts can be significantly impacted by changes in expected future gross profits related to projected separate account rates of return. Our practice of determining changes in projected separate account returns assumes that long-term appreciation in equity markets is not changed by short-term market fluctuations and is only changed when sustained interim deviations are expected. We monitor these events and only change the assumption when our long-term expectation changes. The effect of an increase (decrease) by 100 basis points in the assumed future rate of return is reasonably likely to result in a decrease (increase) in the DAC amortization with an offset to our unearned revenue liability which nets to approximately $235 million. We use a mean reversion approach to separate account returns where the mean reversion period is five years with a long-term separate account return after the five-year reversion period is over. The current long-term rate of return assumption for variable annuity and variable universal life insurance contracts is in the 6.00-7.00% range.

We also generally review other long-term assumptions underlying the projections of expected future gross profits on an annual basis. These assumptions primarily relate to general account investment returns, mortality, in-force or persistency, benefit elections and utilization, and withdrawals. Assumptions used in the calculation of expected future gross profits which have significantly changed are updated annually. If the update of assumptions causes expected future gross profits to increase, DAC amortization will generally decrease, resulting in a current period increase to earnings. The opposite result occurs when the assumption update causes expected future gross profits to decrease.

Our DAC balances are also impacted by replacing expected future gross profits with actual gross profits in each reporting period, including changes in annuity embedded derivatives and the related nonperformance risk. When the change in expected future gross profits principally relates to the difference between actual and estimates in the current period, an increase in profits will generally result in an increase in amortization and a decrease in profits will generally result in a decrease in amortization.

See Notes 1 and 4 of the Notes to the Consolidated Financial Statements for additional information relating to DAC accounting policy and amortization.

Derivatives

We use freestanding derivative instruments to hedge various capital markets risks in our products, including: (i) certain guarantees, some of which are reported as embedded derivatives; (ii) current or future changes in the fair value of our assets and liabilities; and (iii) current or future changes in cash flows. All derivatives, whether freestanding or embedded, are required to be carried on the balance sheet at fair value with changes reflected in either net income (loss) available to shareholders or in OCI, depending on the type of hedge. Below is a summary of critical accounting estimates by type of derivative.

Freestanding Derivatives

The determination of the estimated fair value of freestanding derivatives, when quoted market values are not available, is based on market standard valuation methodologies and inputs that management believes are consistent with what other market participants would use when pricing such instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk, nonperformance risk, volatility, liquidity and changes in estimates and assumptions used in the pricing models. See Note 7 of the Notes to the Consolidated Financial Statements for additional information on significant inputs into the OTC derivative pricing models and credit risk adjustment.

Embedded Derivatives in Variable Annuity Guarantees

We issue variable annuity products with guaranteed minimum benefits, some of which are embedded derivatives measured at estimated fair value separately from the host variable annuity product, with changes in estimated fair value reported in net derivative gains (losses). The estimated fair values of these embedded derivatives are determined based on the present value of projected future benefits minus the present value of projected future fees attributable to the guarantee. The projections of future benefits and future fees require capital markets and actuarial assumptions, including expectations concerning policyholder behavior. A risk neutral valuation methodology is used under which the cash flows from the guarantees are projected under multiple capital markets scenarios using observable risk-free rates and implied equity volatilities.

Market conditions, including, but not limited to, changes in interest rates, equity indices, market volatility and variations in actuarial assumptions, including policyholder behavior, mortality and risk margins related to non-capital markets inputs, as well as changes in our nonperformance risk may result in significant fluctuations in the estimated fair value of the guarantees that could have a material impact on net income. Changes to actuarial assumptions, principally related to contract holder behavior such as annuitization utilization and withdrawals associated with GMIB riders, can result in a change of expected future cash outflows of a guarantee between the accrual-based model for insurance liabilities and the fair value-based model for embedded derivatives. See Note 1 of the Notes to the Consolidated Financial Statements for additional information relating to the determination of the accounting model.

Risk margins are established to capture the non-capital markets risks of the instrument which represent the additional compensation a market participant would require to assume the risks related to the uncertainties in certain actuarial assumptions. 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.

Assumptions for embedded derivatives are reviewed at least annually, and if they change significantly, the estimated fair value is adjusted by a cumulative charge or credit to net income.

See Notes 7 and 8 of the Notes to the Consolidated Financial Statements for additional information on our embedded derivatives and the determination of their fair values.

Embedded Derivatives in Index-Linked Annuities

The Company issues and assumes through reinsurance index-linked annuities that contain equity crediting rates accounted for as an embedded derivative. The crediting rates are measured at estimated fair value which is determined using a combination of an option pricing methodology and an option-budget approach. The estimated fair value includes capital markets and actuarial policyholder behavior and biometric assumptions, including expectations for renewals at the end of the term period. Market conditions, including interest rates and implied volatilities, and variations in actuarial assumptions and risk margins, as well as changes in our nonperformance risk adjustment may result in significant fluctuations in the estimated fair value that could have a material impact on net income.

Nonperformance Risk Adjustment

The valuation of our embedded derivatives includes an adjustment for the risk that we fail to satisfy our obligations, which we refer to as our nonperformance risk. The nonperformance risk adjustment is captured as a spread over the risk-free rate in determining the discount rate to discount the cash flows of the liability.

The spread over the risk-free rate is based on our creditworthiness taking into consideration publicly available information relating to spreads in the secondary market for BHF's debt. These observable spreads are then adjusted, as necessary, to reflect the financial strength ratings of the issuing insurance subsidiaries as compared to the credit rating of BHF.

The following table illustrates the impact that a range of reasonably likely variances in BHF's credit spread would have on our consolidated balance sheet, excluding the effect of income tax, related to the embedded derivative valuation on certain variable annuity products measured at estimated fair value. Even when credit spreads do not change, the impact of the nonperformance risk adjustment on fair value will change when the cash flows within the fair value measurement change. The table only reflects the impact of changes in credit spreads on the consolidated balance sheet and not these other potential changes. In determining the ranges, we have considered current market conditions, as well as the market level of spreads that can reasonably be anticipated over the near-term.

	Balance Sheet Carrying Value at December 31, 2021	
	Policyholder Account Balances	**DAC and VOBA**
	(In millions)	
100% increase in our credit spread	$ 1,258	$ 36
As reported	$ 1,848	$ 298
50% decrease in our credit spread	$ 2,194	$ 452

Income Taxes

We provide for federal and state income taxes currently payable, as well as those deferred due to temporary differences between the financial reporting and tax bases of assets and liabilities. Our accounting for income taxes represents our best estimate of various events and transactions. Tax laws are often complex and may be subject to differing interpretations by the taxpayer and the relevant governmental taxing authorities. In establishing a provision for income tax expense, we must make judgments and interpretations about the application of tax laws. We must also make estimates about when in the future certain items will affect taxable income in the various taxing jurisdictions.

In establishing a liability for unrecognized tax benefits, assumptions may be made in determining whether, and to what extent, a tax position may be sustained. Once established, unrecognized tax benefits are adjusted when there is more information available or when events occur requiring a change.

Valuation allowances are established against deferred tax assets, particularly those arising from carryforwards, when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. The realization of deferred tax assets related to carryforwards depends upon the existence of sufficient taxable income within the carryforward periods under the tax law in the applicable tax jurisdiction. Significant judgment is required in projecting future taxable income to determine whether valuation allowances should be established, as well as the amount of such allowances. See Note 1 of the Notes to the Consolidated Financial Statements for additional information relating to our determination of such valuation allowances.

We may be required to change our provision for income taxes when estimates used in determining valuation allowances on deferred tax assets significantly change, or when new information indicates the need for adjustment in valuation allowances. Additionally, future events, such as changes in tax laws, tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income tax and the effective tax rate. Any such changes could significantly affect the amounts reported in the financial statements in the year these changes occur.

See Notes 1 and 13 of the Notes to the Consolidated Financial Statements for additional information on our income taxes.

Non-GAAP and Other Financial Disclosures

Our definitions of 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 as a measure of our performance that is not calculated in accordance with GAAP. Adjusted earnings is used by management to evaluate performance and facilitate comparisons to industry results. We believe the presentation of adjusted earnings, as the Company measures it for management purposes, enhances the understanding of our performance by the investor community by highlighting the results of operations and the underlying profitability drivers of our business. 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, focuses on our primary businesses by excluding the impact of market volatility, which could distort trends.

The following are significant items excluded from total revenues 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 GMIB fees ("GMIB Fees").

The following are significant items excluded from total expenses 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 ("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) and (iii) GMIB Fees and GMIB Costs.

The tax impact of the adjustments discussed above 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* 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) and (c) GMIB Fees and GMIB Costs).
(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 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 Disclosure*s**

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

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Annual Actuarial Review

We typically conduct our AAR in the third quarter of each year. As a result of the 2021 AAR, we updated assumptions regarding policyholder behavior, including mortality, premium persistency, lapses, withdrawals and maintenance expenses. We also increased our long-term general account earned rate, while maintaining our mean reversion rate at 3.00%. These updates had the largest impact on our ULSG business. For our variable annuity business, we updated our annuitization and separate account assumptions, including fund fees, allocations and volatility, in addition to the policyholder behavior assumptions noted above.

In 2020, the most significant impact from our AAR was decreasing the long-term general account earned rate, driven by a reduction in our mean reversion rate from 3.75% to 3.00%, which had the largest impact on our ULSG business. For our variable annuity business, in addition to the update in the long-term general account earned rate, we updated assumptions regarding policyholder behavior, mortality, separate account fund allocations and volatility, as well as maintenance expenses. In our life business, we updated assumptions related to policyholder behavior, mortality and maintenance expenses.

The following table presents the impact of the AAR on pre-tax adjusted earnings and income (loss) available to shareholders before provision for income tax for the years ended December 31, 2021 and 2020. The impact related to GMLBs is included in income (loss) available to shareholders before provision for income tax, but is not included in pre-tax adjusted earnings. See "— Non-GAAP and Other Financial Disclosures."

	Years Ended December 31,	
	2021	**2020**
	(In millions)	
GMLBs	$ (42)	$ (1,431)
Included in pre-tax adjusted earnings:		
Other annuity business	4	128
Life business	15	(17)
Run-off	(113)	(1,484)
Total included in pre-tax adjusted earnings	(94)	(1,373)
Total impact on income (loss) available to shareholders before provision for income tax	$ (136)	$ (2,804)

Consolidated Results for the Years Ended December 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.

	Years Ended December 31,	
	2021	2020
	(In millions)	
Revenues		
Premiums	$ 707	$ 766
Universal life and investment-type product policy fees	3,636	3,463
Net investment income	4,881	3,601
Other revenues	446	413
Net investment gains (losses)	(59)	278
Net derivative gains (losses)	(2,469)	(18)
Total revenues	7,142	8,503
Expenses		
Policyholder benefits and claims	3,443	5,711
Interest credited to policyholder account balances	1,312	1,092
Capitalization of DAC	(493)	(408)
Amortization of DAC and VOBA	144	766
Interest expense on debt	163	184
Other expenses	2,781	2,577
Total expenses	7,350	9,922
Income (loss) before provision for income tax	(208)	(1,419)
Provision for income tax expense (benefit)	(105)	(363)
Net income (loss)	(103)	(1,056)
Less: Net income (loss) attributable to noncontrolling interests	5	5
Net income (loss) attributable to Brighthouse Financial, Inc.	(108)	(1,061)
Less: Preferred stock dividends	89	44
Net income (loss) available to Brighthouse Financial, Inc.’s common shareholders	$ (197)	$ (1,105)

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

	Years Ended December 31,	
	2021	2020
	(In millions)	
GMLB Riders	$ (2,166)	$ (2,421)
Other derivative instruments	(57)	1,139
Net investment gains (losses)	(59)	278
Other adjustments	19	(43)
Pre-tax adjusted earnings, less net income (loss) attributable to noncontrolling interests and preferred stock dividends	1,961	(421)
Income (loss) available to shareholders before provision for income tax	(302)	(1,468)
Provision for income tax expense (benefit)	(105)	(363)
Net income (loss) available to shareholders	$ (197)	$ (1,105)

GMLB Riders. The guaranteed minimum living benefits reflect (i) changes in the carrying value of GMLB liabilities, including GMIBs, GMWBs and GMABs, as well as Shield Annuities; (ii) changes in the estimated fair value of the related hedges, as well as any ceded reinsurance of the liabilities; (iii) the fees earned from the GMLB liabilities; and (iv) the effects of DAC amortization related to the preceding components.

Other Derivative Instruments. We have other derivative instruments, in addition to the hedges and embedded derivatives included in the GMLB Riders, for which changes in estimated fair value are recognized in net derivative gains (losses).

Freestanding Derivatives. We have freestanding derivatives that economically hedge certain invested assets and insurance liabilities. The majority of this hedging activity, excluding the GMLB Riders, is focused in the following areas:

- as part of the Company's macro interest rate hedging program, the use of interest rate swaps, swaptions and interest rate forwards in connection with ULSG;
- use of interest rate swaps when we have duration mismatches where suitable assets with maturities similar to those of our long-dated liabilities are not readily available in the market and use of interest rate forwards hedging reinvestment risk from maturing assets with higher yields than currently available in the market that support long-dated liabilities;
- use of foreign currency swaps when we hold fixed maturity securities denominated in foreign currencies that are matching insurance liabilities denominated in U.S. dollars; and
- use of equity index options to hedge index-linked annuity products against adverse changes in equity markets.

The market impacts on the hedges are accounted for in net income (loss) while the offsetting economic impact on the items they are hedging are either not recognized or recognized through OCI in equity.

Embedded Derivatives. Certain ceded reinsurance agreements in our Life and Run-off segments are written on a coinsurance with funds withheld basis. The funds withheld component is accounted for as an embedded derivative with changes in the estimated fair value recognized in net income (loss) in the period in which they occur. In addition, the changes in liability values of our fixed index-linked annuity products that result from changes in the underlying equity index are accounted for as embedded derivatives.

Pre-tax Adjusted Earnings. See "— Non-GAAP and Other Financial Disclosures — Non-GAAP Financial Disclosures — Adjusted Earnings."

Year Ended December 31, 2021 Compared with the Year Ended December 31, 2020

Loss available to shareholders before provision for income tax was $302 million ($197 million, net of income tax), a lower loss of $1.2 billion ($908 million, net of income tax) from a loss available to shareholders before provision for income tax of $1.5 billion ($1.1 billion, net of income tax) in the prior period.

The increase in income before provision for income tax was driven by the following favorable items:

- higher pre-tax adjusted earnings, as discussed in greater detail below; and
- lower losses from GMLB Riders, see "— GMLB Riders for the Years Ended December 31, 2021 and 2020."

The increase in income before provision for income tax was partially offset by the following unfavorable items:

- losses on interest rate derivatives used to manage interest rate exposure in our ULSG business due to the long-term benchmark interest rate increasing in the current period and decreasing in the prior period, partially offset by favorable returns on equity options from equity markets increasing more in the current period than in the prior period; and
- net investment losses reflecting current period net losses on sales of fixed maturity securities compared to prior period net gains.

The provision for income tax, expressed as a percentage of income (loss) before provision for income tax, resulted in an effective tax rate of 50% in the current period compared to 26% in the prior period. The increase in the effective tax rate was driven by higher pre-tax adjusted earnings, as 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:

	Year Ended December 31, 2021				
	Annuities	Life	Run-off	Corporate & Other	Total
	(In millions)				
Net income (loss) available to shareholders	$ (641)	$ 292	$ 688	$ (536)	$ (197)
Add: Provision for income tax expense (benefit)	347	75	(538)	11	(105)
Income (loss) available to shareholders before provision for income tax	(294)	367	150	(525)	(302)
Less: GMLB Riders	(2,166)	—	—	—	(2,166)
Less: Other derivative instruments	140	7	(221)	17	(57)
Less: Net investment gains (losses)	(72)	—	114	(101)	(59)
Less: Other adjustments	8	(2)	13	—	19
Pre-tax adjusted earnings, less net income (loss) attributable to noncontrolling interests and preferred stock dividends	1,796	362	244	(441)	1,961
Less: Provision for income tax expense (benefit)	347	75	53	(107)	368
Adjusted earnings	$ 1,449	$ 287	$ 191	$ (334)	$ 1,593

	Year Ended December 31, 2020				
	Annuities	Life	Run-off	Corporate & Other	Total
	(In millions)				
Net income (loss) available to shareholders	$ (1,214)	$ 92	$ 466	$ (449)	$ (1,105)
Add: Provision for income tax expense (benefit)	266	34	(689)	26	(363)
Income (loss) available to shareholders before provision for income tax	(948)	126	(223)	(423)	(1,468)
Less: GMLB Riders	(2,421)	—	—	—	(2,421)
Less: Other derivative instruments	52	(72)	1,152	7	1,139
Less: Net investment gains (losses)	23	9	295	(49)	278
Less: Other adjustments	(35)	7	(15)	—	(43)
Pre-tax adjusted earnings, less net income (loss) attributable to noncontrolling interests and preferred stock dividends	1,433	182	(1,655)	(381)	(421)
Less: Provision for income tax expense (benefit)	266	34	(356)	(87)	(143)
Adjusted earnings	$ 1,167	$ 148	$ (1,299)	$ (294)	$ (278)

Consolidated Results for the Years Ended December 31, 2021 and 2020 - Adjusted Earnings

The components of adjusted earnings were as follows:

	Years Ended December 31,	
	2021	2020
	(In millions)	
Fee income	$ 3,836	$ 3,606
Net investment spread	2,858	1,599
Insurance-related activities	(1,970)	(2,731)
Amortization of DAC and VOBA	(218)	(538)
Other expenses, net of DAC capitalization	(2,451)	(2,308)
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	94	49
Pre-tax adjusted earnings, less net income (loss) attributable to noncontrolling interests and preferred stock dividends	1,961	(421)
Provision for income tax expense (benefit)	368	(143)
Adjusted earnings	$ 1,593	$ (278)

<u>Year Ended December 31, 2021 Compared with the Year Ended December 31, 2020</u>

Adjusted earnings were $1.6 billion in the current period, an increase of $1.9 billion.

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
  - 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 interest credited resulting from changes in interest accrual assumptions in connection with the AAR and the related modeling changes in our Annuities segment; and
  - higher interest credited to policyholders due to higher imputed interest on insurance liabilities related to modeling improvements in the prior period resulting from an actuarial system conversion in our Life segment;
- lower net costs associated with insurance-related activities due to:
  - a net decrease in liability balances resulting from changes in connection with the AAR in our Run-off and Annuities segments;

  partially offset by
  - higher paid claims, net of reinsurance;
- lower amortization of DAC and VOBA due to:
  - a favorable impact resulting from changes in assumptions made in connection with the AAR in our Annuities and Life segments; and
  - an adjustment in the current period related to modeling improvements resulting from an actuarial system conversion in our Annuities segment; and
- higher net fee income resulting from:
  - higher average separate account balances, a portion of which is offset in other expenses;

  partially offset by
  - a decline in the net cost of insurance fees driven by the aging in-force business in our Run-off segment; and

- ◦ lower unearned revenue amortization in our Life segment resulting from changes in connection with the AAR.

Key net unfavorable impacts were:

- 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;
  - ◦ higher premium paid in excess of debt principal in connection with the repurchase of senior notes in the current period; and
  - ◦ higher corporate spending related to distribution and operations;

  partially offset by

  - ◦ lower interest expense and legal reserves; and
- higher preferred stock dividends due to new issuances during the second and fourth quarters of 2020.

The provision for income tax, expressed as a percentage of pre-tax adjusted earnings, resulted in an effective tax rate of 18% in the current period compared to 38% 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 Years Ended December 31, 2021 and 2020 — Adjusted Earnings

Annuities

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

	Years Ended December 31,	
	2021	2020
	(In millions)	
Fee income	$ 2,857	$ 2,596
Net investment spread	1,188	999
Insurance-related activities	(410)	(213)
Amortization of DAC and VOBA	(185)	(440)
Other expenses, net of DAC capitalization	(1,654)	(1,509)
Pre-tax adjusted earnings	1,796	1,433
Provision for income tax expense (benefit)	347	266
Adjusted earnings	$ 1,449	$ 1,167

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 year ended December 31, 2021, driven by favorable investment performance, partially offset by negative net flows and policy charges.

	Year Ended December 31, 2021 (1)
	(In millions)
Balance, beginning of period	$ 103,450
Premiums and deposits	2,130
Withdrawals, surrenders and contract benefits	(10,139)
Net flows	(8,009)
Investment performance	12,609
Policy charges	(2,557)
Net transfers from (to) general account	(296)
Balance, end of period	$ 105,197
Average balance	$ 105,708

(1) Includes income annuities for which separate account balances at December 31, 2021 were $173 million.

Year Ended December 31, 2021 Compared with the Year Ended December 31, 2020

Adjusted earnings were $1.4 billion in the current period, an increase of $282 million.

Key net favorable impacts were:

- higher asset-based fees resulting from higher average separate account balances, a portion of which is offset in other expenses;
- lower amortization of DAC and VOBA due to:
  - a favorable impact resulting primarily from the AAR, which included changes in policyholder behavior and capital markets assumptions, as well as model refinements; and
  - an adjustment in the current period related to modeling improvements resulting from an actuarial system conversion; and
- higher net investment spread due to:
  - higher average invested assets resulting from positive net flows in the general account;
  - higher returns on other limited partnerships for the comparative measurement period; and
  - higher returns on real estate limited partnerships and LLCs;

  partially offset by

  - higher interest credited resulting from changes in interest accrual assumptions in connection with the AAR and the related modeling changes; 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.

Key net unfavorable impacts were:

- higher costs associated with insurance-related activities due to:
  - a net increase in guaranteed minimum death benefit ("GMDB") liabilities resulting from changes in policyholder behavior assumptions made in connection with the AAR and favorable equity market performance;

  partially offset by

  - a decrease in income annuity benefit payments; 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 distribution expenses.

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:

	Years Ended December 31,	
	2021	2020
	(In millions)	
Fee income	$ 335	$ 341
Net investment spread	360	194
Insurance-related activities	(131)	(70)
Amortization of DAC and VOBA	(22)	(107)
Other expenses, net of DAC capitalization	(180)	(176)
Pre-tax adjusted earnings	362	182
Provision for income tax expense (benefit)	75	34
Adjusted earnings	$ 287	$ 148

Year Ended December 31, 2021 Compared with the Year Ended December 31, 2020

Adjusted earnings were $287 million in the current period, an increase of $139 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 related to modeling improvements in the prior period resulting from an actuarial system conversion; and
- lower amortization of DAC and VOBA due to:
  - a favorable impact resulting primarily from changes in policyholder behavior assumptions made in connection with the AAR; and
  - an adjustment in the prior period related to modeling improvements resulting from an actuarial system conversion.

Key net unfavorable impacts were:

- higher costs associated with insurance-related activities due to higher paid claims, net of reinsurance; and
- lower net fee income due to:
  - lower unearned revenue amortization from changes in policyholder behavior assumptions made in connection with the AAR;

  partially offset by

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

The provision for income tax, expressed as a percentage of pre-tax adjusted earnings, resulted in an effective tax rate of 21% in the current period compared to 19% 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:

	Years Ended December 31,	
	2021	2020
	(In millions)	
Fee income	$ 644	$ 667
Net investment spread	1,236	342
Insurance-related activities	(1,445)	(2,478)
Amortization of DAC and VOBA	—	—
Other expenses, net of DAC capitalization	(191)	(186)
Pre-tax adjusted earnings	244	(1,655)
Provision for income tax expense (benefit)	53	(356)
Adjusted earnings	$ 191	$ (1,299)

<u>Year Ended December 31, 2021 Compared with the Year Ended December 31, 2020</u>

Adjusted earnings were $191 million in the current period, an increase of $1.5 billion.

Key favorable impacts were:

- lower costs associated with insurance-related activities, primarily in our ULSG business, due to a decrease in liability balances resulting from changes in the long-term general account earned rate assumptions made in connection with the AAR; and
- 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 a decline in the net cost of insurance fees driven by the aging in-force business.

The provision for income tax, expressed as a percentage of pre-tax adjusted earnings, resulted in an effective tax rate of 22% 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.

Corporate & Other

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

	Years Ended December 31,	
	2021	2020
	(In millions)	
Fee income	$ —	$ 2
Net investment spread	74	64
Insurance-related activities	16	30
Amortization of DAC and VOBA	(11)	9
Other expenses, net of DAC capitalization	(426)	(437)
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	94	49
Pre-tax adjusted earnings, less net income (loss) attributable to noncontrolling interests and preferred stock dividends	(441)	(381)
Provision for income tax expense (benefit)	(107)	(87)
Adjusted earnings	$ (334)	$ (294)

<u>Year Ended December 31, 2021 Compared with the Year Ended December 31, 2020</u>

Adjusted earnings were a loss of $334 million in the current period, a higher loss of $40 million.

Key unfavorable impacts were:

- higher preferred stock dividends due to new issuances during the second and fourth quarters of 2020;

- higher amortization of DAC and VOBA due to an adjustment in the prior period related to modeling improvements resulting from an actuarial system conversion; and
- higher costs associated with insurance-related activities due to higher paid claims, net of reinsurance.

Key net favorable impacts were:

- lower other expenses due to:
  - lower establishment costs, interest expense and legal reserves;

  partially offset by
  - higher premium paid in excess of debt principal in connection with the repurchase of senior notes in the current period; and
- higher net investment spread due to:
  - higher average invested long-term assets from funding agreements issued in connection with our institutional spread margin business; and
  - higher returns on other limited partnerships for the comparative measurement period;

  partially offset by
  - lower returns on 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 26% 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 Years Ended December 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:

	Years Ended December 31,	
	2021	2020
	(In millions)	
Liabilities	$ (1,832)	$ (4,128)
Hedges	(1,130)	1,052
Ceded reinsurance	(96)	63
Fees (1)	828	825
GMLB DAC	64	(233)
Total GMLB Riders	$ (2,166)	$ (2,421)

(1) Excludes living benefit fees, included as a component of adjusted earnings, of $60 million and $58 million for the years ended December 31, 2021 and 2020, respectively.

GMLB Liabilities. Liabilities reported as part of GMLB Riders (“GMLB Liabilities”) include (i) guarantee rider benefits accounted for as embedded derivatives, (ii) guarantee rider benefits accounted for as insurance and (iii) Shield Annuities embedded derivatives. Liabilities related to guarantee rider benefits represent our obligation to protect policyholders against the possibility that a downturn in the markets will reduce the specified benefits that can be claimed under the base annuity contract. Any periods of significant or sustained downturns in equity markets, increased equity volatility, or reduced interest rates could result in an increase in the valuation of these liabilities. An increase in these liabilities would result in a decrease to our net income (loss) available to shareholders, which could be significant. Shield Annuities provide the contract holder the ability to participate in the appreciation of certain financial markets up to a stated level, while offering protection from a portion of declines in the applicable indices or benchmark. We believe that Shield Annuities provide us with risk offset to liabilities related to guarantee rider benefits.

GMLB Hedges and Reinsurance. We enter into freestanding derivatives to hedge the market risks inherent in the GMLB Liabilities. Generally, the same market factors that impact the estimated fair value of the guarantee rider embedded derivatives impact the value of the hedges, though in the opposite direction. However, the changes in value of the GMLB Liabilities and related hedges may not be symmetrical and the divergence could be significant due to certain factors, such as the guarantee riders accounted for as insurance are not recognized at estimated fair value and there are unhedged risks within the GMLB Liabilities. We may also use reinsurance to manage our exposure related to the GMLB Liabilities.

GMLB Fees. We earn fees from the guarantee rider benefits, which are calculated based on the policyholder's Benefit Base. Fees calculated based on the Benefit Base are more stable in market downturns, compared to fees based on the account value because the Benefit Base excludes the impact of a decline in the market value of the policyholder's account value. We use the fees directly earned from the guarantee riders to fund the reserves, future claims and costs associated with the hedges of market risks inherent in these liabilities. For guarantee rider embedded derivatives, the future fees are included in the estimated fair value of the embedded derivative liabilities, with changes recorded in net derivative gains (losses). For guarantee rider benefits accounted for as insurance, while the related fees do affect the valuation of these liabilities, they are not included in the resulting liability values, but are recorded separately in universal life and investment-type policy fees.

GMLB DAC. Changes in the estimated fair value of GMLB Liabilities that are accounted for as embedded derivatives result in a corresponding recognition of DAC amortization that generally has an inverse effect on net income (loss), which we refer to as the DAC offset. While the DAC offset is generally the most significant driver of GMLB DAC, it can be impacted by other adjustments including amortization related to guarantee benefit riders accounted for as insurance.

See "— Risk Management Strategies — Variable Annuity Exposure Risk Management" for discussion of our management of and our hedging strategy associated with our variable annuity business.

Year Ended December 31, 2021 Compared with the Year Ended December 31, 2020

Comparative results from GMLB Riders were favorable by $255 million.

The AAR primarily resulted in favorable changes in reserves and DAC amortization recognized in the current period.

Results were also 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 interest rates resulted in the following impacts:

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

Higher equity markets resulted in the following impacts:

- unfavorable changes to the estimated fair value of Shield liabilities;

partially offset by

- favorable changes to the estimated fair value of our GMLB hedges; and
- favorable changes to GMLB DAC.

The narrowing of our credit spreads in the current period combined with a 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 "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":

- 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;
- inflation risk, relating to a sustained or material increase in inflation, which could increase realized and unrealized losses or increase expenses;
- 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 "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."

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. As a U.S. insurance company, we are affected by the monetary policy of the Federal Reserve Board in the U.S. 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. See "— Industry Trends and Uncertainties — Financial and Economic Environment."

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 and 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."

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 $3.3 billion, with net unrealized gains (losses) of $291 million, of which 90% were investment grade, at December 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 $1.9 billion, with net unrealized gains (losses) of $177 million, of which 94% were investment grade, at December 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 ABS (collectively, "Structured Securities") that may be impacted by the COVID-19 pandemic. See "— Investments — Mortgage Loans" and Note 6 of the Notes to the 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 Securities AFS — 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.

	Years Ended December 31,					
	2021		2020		2019	
	Yield %	Amount	Yield %	Amount	Yield %	Amount
	(Dollars in millions)					
Investment income (1)	5.13 %	$ 5,046	4.21 %	$ 3,755	4.52 %	$ 3,686
Investment fees and expenses (2)	(0.13)	(144)	(0.14)	(136)	(0.12)	(101)
Adjusted net investment income (3)	5.00 %	$ 4,902	4.07 %	$ 3,619	4.40 %	$ 3,585

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(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.

	Years Ended December 31,		
	2021	2020	2019
	(In millions)		
Net investment income	$ 4,881	$ 3,601	$ 3,579
Less: Investment hedge adjustments	(21)	(18)	(6)
Adjusted net investment income — in the above yield table	$ 4,902	$ 3,619	$ 3,585

See "— Results of Operations — Consolidated Results for the Years Ended December 31, 2021 and 2020" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Consolidated Results for the Years Ended December 31, 2020 and 2019" in our 2020 Annual Report for an analysis of the year over year changes in net investment income.

Fixed Maturity Securities Available-for-sale

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

	December 31, 2021		December 31, 2020	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(Dollars in millions)			
Publicly-traded	$ 72,925	83.3 %	$ 68,328	82.8 %
Privately-placed	14,657	16.7	14,167	17.2
Total fixed maturity securities	$ 87,582	100.0 %	$ 82,495	100.0 %
Percentage of cash and invested assets	71.4 %		72.6 %	

See Note 8 of the Notes to the 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 Notes 1 and 6 of the Notes to the 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

Rating agency ratings are based on availability of applicable ratings from rating agencies on the NAIC credit rating provider list, including Moody's, S&P, Fitch, Dominion Bond Rating Service and Kroll Bond Rating Agency. If no rating is available from a rating agency, then an internally developed rating is used.

The NAIC has methodologies to assess credit quality for certain Structured Securities comprised of non-agency RMBS, CMBS and ABS. The NAIC's objective with these methodologies is to increase the accuracy in assessing expected losses, and to use the improved assessment to determine a more appropriate capital requirement for such Structured Securities. The methodologies reduce regulatory reliance on rating agencies and allow for greater regulatory input into the assumptions used to estimate expected losses from Structured Securities. In 2021, these methodologies were updated to only apply to those Structured Securities issued prior to 2013. We apply the NAIC methodologies to Structured Securities held by our insurance subsidiaries and BRCD. The NAIC's present methodology is to evaluate Structured Securities held by insurers on an annual basis. If our insurance subsidiaries and BRCD acquire Structured Securities that have not been previously evaluated by the NAIC but are expected to be evaluated by the NAIC in the upcoming annual review, an internally developed designation is used until a final designation becomes available.

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:

NAIC Designation	NRSRO Rating	December 31, 2021 Amortized Cost	December 31, 2021 Allowance for Credit Losses	December 31, 2021 Unrealized Gain (Loss)	December 31, 2021 Estimated Fair Value	December 31, 2021 % of Total	December 31, 2020 Amortized Cost	December 31, 2020 Allowance for Credit Losses	December 31, 2020 Unrealized Gain (Loss)	December 31, 2020 Estimated Fair Value	December 31, 2020 % of Total
		(Dollars in millions)									
1	Aaa/Aa/A	$ 49,729	$ —	$ 6,133	$ 55,862	63.8 %	$ 44,189	$ —	$ 8,492	$ 52,681	63.8 %
2	Baa	25,493	—	2,142	27,635	31.6	23,022	—	3,338	26,360	32.0
Subtotal investment grade		75,222	—	8,275	83,497	95.4 %	67,211	—	11,830	79,041	95.8 %
3	Ba	2,634	—	65	2,699	3.1	2,408	—	118	2,526	3.1
4	B	1,244	3	12	1,253	1.4	814	—	20	834	1.0
5	Caa and lower	142	8	(4)	130	0.1	91	2	—	89	0.1
6	In or near default	4	—	(1)	3	—	5	—	—	5	—
Subtotal below investment grade		4,024	11	72	4,085	4.6 %	3,318	2	138	3,454	4.2 %
Total fixed maturity securities		$ 79,246	$ 11	$ 8,347	$ 87,582	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**	
NRSRO Rating	**Aaa/Aa/A**	**Baa**	**Ba**	**B**	**Caa and Lower**	**In or Near Default**	**Total Estimated Fair Value**
	(In millions)						
December 31, 2021							
U.S. corporate	$ 17,828	$ 18,074	$ 2,008	$ 1,103	$ 68	$ —	$ 39,081
Foreign corporate	3,518	7,478	554	125	31	—	11,706
U.S. government and agency	9,160	147	—	—	—	—	9,307
RMBS	9,179	46	15	5	11	3	9,259
CMBS	6,882	391	1	5	3	—	7,282
State and political subdivision	4,646	181	1	—	7	—	4,835
ABS	3,686	550	19	15	10	—	4,280
Foreign government	963	768	101	—	—	—	1,832
Total fixed maturity securities	$ 55,862	$ 27,635	$ 2,699	$ 1,253	$ 130	$ 3	$ 87,582
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 December 31, 2021 and 2020. Our U.S. and foreign corporate fixed maturity securities holdings by industry were as follows at:

	December 31, 2021		December 31, 2020	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(Dollars in millions)			
Industrial	$ 16,131	31.8 %	$ 15,541	31.5 %
Finance	12,430	24.4	11,452	23.2
Consumer	11,650	22.9	11,535	23.3
Utility	7,146	14.1	7,412	15.0
Communications	3,430	6.8	3,477	7.0
Total	$ 50,787	100.0 %	$ 49,417	100.0 %

Structured Securities

We held $20.8 billion and $18.0 billion of Structured Securities, at estimated fair value, at December 31, 2021 and 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:

	December 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:						
Pass-through securities	$ 4,688	50.6 %	$ 29	$ 3,442	41.5 %	$ 157
Collateralized mortgage obligations	4,571	49.4	352	4,852	58.5	484
Total RMBS	$ 9,259	100.0 %	$ 381	$ 8,294	100.0 %	$ 641
Risk profile:						
Agency	$ 7,563	81.7 %	$ 264	$ 6,519	78.6 %	$ 502
Prime	192	2.1	4	167	2.0	5
Alt-A	801	8.6	60	793	9.6	67
Sub-prime	703	7.6	53	815	9.8	67
Total RMBS	$ 9,259	100.0 %	$ 381	$ 8,294	100.0 %	$ 641
Ratings profile:						
Rated Aaa	$ 7,905	85.4 %		$ 6,738	81.2 %	
Designated NAIC 1	$ 9,179	99.1 %		$ 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:

	December 31, 2021		December 31, 2020	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)			
2003 - 2011	$ 95	$ 106	$ 159	$ 181
2012	141	140	146	148
2013	209	213	214	218
2014	322	334	347	367
2015	953	997	956	1,035
2016	465	485	472	515
2017	707	751	701	781
2018	1,675	1,827	1,664	1,906
2019	1,044	1,079	990	1,072
2020	555	544	558	567
2021	810	806	—	—
Total	$ 6,976	$ 7,282	$ 6,207	$ 6,790

The estimated fair value of CMBS rated Aaa using rating agency ratings was $5.0 billion, or 69.1% of total CMBS, and designated NAIC 1 was $6.9 billion, or 94.5% of total CMBS, at December 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:

	December 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	$ 2,659	62.1 %	$ (1)	$ 1,762	61.1 %	$ 5
Student loans	384	9.0	6	247	8.6	5
Consumer loans	342	8.0	—	250	8.7	6
Automobile loans	151	3.5	2	92	3.2	5
Credit card loans	132	3.1	4	53	1.8	7
Other loans	612	14.3	8	480	16.6	22
Total	$ 4,280	100.0 %	$ 19	$ 2,884	100.0 %	$ 50
Ratings profile:						
Rated Aaa	$ 1,837	42.9 %		$ 1,512	52.4 %	
Designated NAIC 1	$ 3,686	86.1 %		$ 2,549	88.4 %	

Allowance for Credit Losses for Fixed Maturity Securities

See Note 6 of the Notes to the 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 6 of the Notes to the 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:

	December 31, 2021				December 31, 2020			
	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment
	(Dollars in millions)							
Commercial	$ 12,187	61.0 %	$ 67	0.5 %	$ 9,714	61.1 %	$ 44	0.5 %
Agricultural	4,163	20.9	12	0.3 %	3,538	22.2	15	0.4 %
Residential	3,623	18.1	44	1.2 %	2,650	16.7	35	1.3 %
Total	$ 19,973	100.0 %	$ 123	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 97% and 96% at December 31, 2021 and 2020, respectively. The remainder was collateralized by properties located outside of the U.S. At December 31, 2021, the carrying value as a percentage of total commercial and agricultural mortgage loans for the top three states in the U.S. was 21% for California, 10% for New York and 10% for Texas. 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 December 31, 2021 and 2020. At December 31, 2021, the carrying value as a percentage of total residential mortgage loans for the top three states in the U.S. was 35% for California,10% for Florida and 8% for New York.

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:

	December 31, 2021		December 31, 2020	
	Amount	% of Total	Amount	% of Total
	(Dollars in millions)			
Geographic region:				
Pacific	$ 2,601	21.3 %	$ 2,670	27.5 %
South Atlantic	2,383	19.6	1,832	18.9
Middle Atlantic	2,115	17.3	1,861	19.1
West South Central	1,425	11.7	802	8.2
Mountain	1,062	8.7	736	7.6
New England	789	6.5	453	4.7
East North Central	717	5.9	596	6.1
International	495	4.1	506	5.2
West North Central	318	2.6	113	1.2
East South Central	217	1.8	80	0.8
Multi-region and Other	65	0.5	65	0.7
Total recorded investment	12,187	100.0 %	9,714	100.0 %
Less: allowance for credit losses	67		44	
Carrying value, net of allowance for credit losses	$ 12,120		$ 9,670	
Property type:				
Apartment	$ 3,895	32.0 %	$ 2,072	21.3 %
Office	3,566	29.3	3,788	39.0
Retail	1,863	15.3	2,068	21.3
Industrial	1,847	15.1	822	8.5
Hotel	1,016	8.3	934	9.6
Other	—	—	30	0.3
Total recorded investment	12,187	100.0 %	9,714	100.0 %
Less: allowance for credit losses	67		44	
Carrying value, net of allowance for credit losses	$ 12,120		$ 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 6 of the Notes to the 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 6 of the Notes to the 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 December 31, 2021 and 2020, respectively, and our average debt-service coverage ratio was 2.2x and 2.3x at December 31, 2021 and 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 46% and 48% at December 31, 2021 and 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. 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 December 31, 2021, the recorded investment on mortgage loans where borrowers were offered debt-service forbearance and were not making payments was $55 million, comprised of $31 million of agricultural mortgage loans and $24 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 ("TDR") due to certain relief granted by U.S. federal legislation in March 2020. For more information on TDRs, see Note 6 of the Notes to the Consolidated Financial Statements.

Mortgage Loan Allowance for Credit Losses. See Notes 6 and 8 of the Notes to the 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 years ended December 31, 2021 and 2020.

Limited Partnerships and Limited Liability Companies

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

	December 31, 2021	December 31, 2020
	(In millions)	
Other limited partnerships	$ 3,786	$ 2,373
Real estate limited partnerships and LLCs (1)	485	437
Total	$ 4,271	$ 2,810

(1) The estimated fair value of real estate limited partnerships and LLCs was $595 million and $501 million at December 31, 2021 and 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:

	December 31, 2021		December 31, 2020	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Freestanding derivatives with positive estimated fair values	$ 3,126	94.3 %	$ 3,582	95.6 %
FHLB Stock	70	2.1	39	1.1
Tax credit and renewable energy partnerships	59	1.8	64	1.7
Leveraged leases, net of non-recourse debt	49	1.5	50	1.3
Other	12	0.3	12	0.3
Total	$ 3,316	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 7 of the Notes to the Consolidated Financial Statements:

- A comprehensive description of the nature of our derivatives, including the strategies for which derivatives are used in managing various risks.
- 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 December 31, 2021 and 2020.
- The statement of operations effects of derivatives in cash flow, fair value, or non-qualifying hedge relationships for the years ended December 31, 2021, 2020 and 2019.

See "— Risk Management Strategies" and "Business — Segments and Corporate & Other — Annuities" for more information about our use of derivatives by major hedging programs, as well as "— Results of Operations — Annual Actuarial Review."

Fair Value Hierarchy

See Note 8 of the Notes to the 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 December 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 7 of the Notes to the 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 sheet 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:

	December 31, 2021		December 31, 2020	
	Gross Notional Amount	Estimated Fair Value	Gross Notional Amount	Estimated Fair Value
	(In millions)			
Written	$ 1,724	$ 38	$ 1,755	$ 41
Purchased	—	—	18	—
Total	$ 1,724	$ 38	$ 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 8 of the Notes to the 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 7 of the Notes to the Consolidated Financial Statements for information about the nonperformance risk adjustment included in the valuation of guaranteed minimum benefits accounted for as embedded derivatives.

See "— Summary of Critical Accounting Estimates — Derivatives" for further information on the estimates and assumptions that affect embedded derivatives.

Policyholder Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet policy obligations or to provide for future annuity and life insurance benefit payments. Amounts for actuarial liabilities are computed and reported in the financial statements in conformity with GAAP. See "— Summary of Critical Accounting Estimates" for more details on policyholder liabilities.

Due to the nature of the underlying risks and the uncertainty associated with the determination of actuarial liabilities, we cannot precisely determine the amounts that will ultimately be paid with respect to these actuarial liabilities, and the ultimate amounts may vary from the estimated amounts, particularly when payments may not occur until well into the future.

We periodically review the assumptions supporting our estimates of actuarial liabilities for future policy benefits. We revise estimates, to the extent permitted or required under GAAP, if we determine that future expected experience differs from assumptions used in the development of actuarial liabilities. We charge or credit changes in our liabilities to expenses in the period the liabilities are established or re-estimated. If the liabilities originally established for future benefit payments prove inadequate, we must increase them. Such an increase could adversely affect our earnings and have a material adverse effect on our business, financial condition and results of operations.

We have experienced, and will likely in the future experience, catastrophe losses and possibly acts of terrorism, as well as turbulent financial markets that may have an adverse impact on our business, financial condition and results of operations. Moreover, the impact of climate change could cause changes in the frequency or severity of outbreaks of certain diseases. Due to their nature, we cannot predict the incidence, timing, severity or amount of losses from catastrophes, acts of terrorism or climate change, but we make broad use of catastrophic and non-catastrophic reinsurance to manage risk from these perils.

Future Policy Benefits

We establish liabilities for amounts payable under insurance policies. See "— Summary of Critical Accounting Estimates — Liability for Future Policy Benefits" and Notes 1 and 3 of the Notes to the Consolidated Financial Statements. A discussion of future policy benefits by segment, as well as Corporate & Other follows.

Annuities

Future policy benefits for the annuities business are comprised mainly of liabilities for life contingent income annuities and liabilities for the variable annuity guaranteed minimum benefits accounted for as insurance.

Life

Future policy benefits for the life business are comprised mainly of liabilities for term, whole, universal and variable life insurance contracts. In order to manage risk, we have often reinsured a portion of the mortality risk on life insurance policies. The reinsurance programs are routinely evaluated, and this may result in increases or decreases to existing coverage. We have entered into various derivative positions, primarily interest rate swaps, to mitigate the risk that

investment of premiums received and reinvestment of maturing assets over the life of the policy will be at rates below those assumed in the original pricing of these contracts.

Run-off

Future policy benefits primarily include liabilities for structured settlements and pension risk transfer contracts. There is no interest rate crediting flexibility on the liabilities for immediate annuities. As a result, a sustained low interest rate environment could negatively impact earnings; however, we mitigate our risks by applying various ALM strategies, including the use of derivative positions, primarily interest rate swaps, to mitigate the risks associated with such a scenario.

Corporate & Other

Future policy benefits primarily include liabilities for long-term care and workers' compensation business reinsured through 100% quota share reinsurance agreements.

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. A discussion of policyholder account balances by segment, as well as Corporate & Other, follows. Also, see "— Variable Annuity Guarantees," "Quantitative and Qualitative Disclosures About Market Risk — Market Risk - Fair Value Exposures — Interest Rates" and Notes 1 and 3 of the Notes to the Consolidated Financial Statements for additional information.

Policyholder account balances also include amounts associated with funding agreements issued in connection with our institutional spread margin business or for additional liquidity. See "— Liquidity and Capital Resources — The Company — Primary Sources of Liquidity and Capital — Funding Sources — Funding Agreements."

Annuities

Policyholder account balances for annuities are held for fixed deferred annuities, the fixed account portion of variable annuities and non-life contingent income annuities. Interest is credited to the policyholder's account at interest rates we determine which are influenced by current market rates, subject to specified minimums. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We have various interest rate derivative positions, as part of the Company's macro interest rate hedging program, to partially mitigate the risks associated with such a scenario. Additionally, policyholder account balances are held for variable annuity guaranteed minimum living benefits that are accounted for as embedded derivatives.

The following table presents the breakdown of account value subject to minimum guaranteed crediting rates for Annuities at:

	December 31, 2021		December 31, 2020	
	Account Value (1)	Account Value at Guarantee (1)	Account Value (1)	Account Value at Guarantee (1)
	(In millions)			
Greater than 0% but less than 2%	$ 3,783	$ 802	$ 3,756	$ 816
Equal to 2% but less than 4%	$ 12,485	$ 11,831	$ 13,029	$ 12,314
Equal to or greater than 4%	$ 431	$ 431	$ 461	$ 461

(1) These amounts are not adjusted for policy loans.

As a result of acquisitions, we establish additional liabilities known as excess interest reserves for policies with credited rates in excess of market rates as of the applicable acquisition dates. Excess interest reserves for Annuities were $241 million and $254 million at December 31, 2021 and 2020, respectively.

Life

Life policyholder account balances are held for retained asset accounts, universal life policies and the fixed account of universal variable life insurance policies. Interest is credited to the policyholder's account at interest rates we determine which are influenced by current market rates, subject to specified minimums. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We have various derivative positions to partially mitigate the risks associated with such a scenario.

The following table presents the breakdown of account value subject to minimum guaranteed crediting rates for Life at:

	December 31, 2021		December 31, 2020	
	Account Value (1)	Account Value at Guarantee (1)	Account Value (1)	Account Value at Guarantee (1)
	(In millions)			
Greater than 0% but less than 2%	$ 184	$ 58	$ 115	$ 64
Equal to 2% but less than 4%	$ 1,080	$ 497	$ 1,116	$ 496
Equal to or greater than 4%	$ 1,705	$ 1,705	$ 1,786	$ 1,786

(1) These amounts are not adjusted for policy loans.

As a result of acquisitions, we establish additional liabilities known as excess interest reserves for policies with credited rates in excess of market rates as of the applicable acquisition dates. Excess interest reserves for Life were $40 million and $36 million at December 31, 2021 and 2020, respectively.

Run-off

Policyholder account balances in Run-off are comprised of ULSG, certain company-owned life insurance policies and certain funding agreements. Interest crediting rates vary by type of contract and can be fixed or variable. We are exposed to interest rate risks, when guaranteeing payment of interest and return on principal at the contractual maturity date. We mitigate our risks by applying various ALM strategies.

The following table presents the breakdown of account value subject to minimum guaranteed crediting rates for Run-off at:

	December 31, 2021		December 31, 2020	
	Account Value (1)	Account Value at Guarantee (1)	Account Value (1)	Account Value at Guarantee (1)
	(In millions)			
Universal Life Secondary Guarantee				
Greater than 0% but less than 2%	$ —	$ —	$ —	$ —
Equal to 2% but less than 4%	$ 5,053	$ 1,471	$ 5,262	$ 1,552
Equal to or greater than 4%	$ 552	$ 552	$ 562	$ 562

(1) These amounts are not adjusted for policy loans.

As a result of acquisitions, we establish additional liabilities known as excess interest reserves for policies with credited rates in excess of market rates as of the applicable acquisition dates. Excess interest reserves for Run-off were $106 million and $99 million at December 31, 2021 and 2020, respectively.

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.

Certain of our variable annuity guarantee features are accounted for as insurance liabilities and recorded in future policy benefits while others are accounted for at fair value as embedded derivatives and recorded in policyholder account balances. Generally, a guarantee is accounted for as an insurance liability if the guarantee is paid only upon either (i) the occurrence of a specific insurable event, or (ii) annuitization. Alternatively, a guarantee is accounted for as an embedded derivative if a guarantee is paid without requiring (i) the occurrence of specific insurable event, or (ii) the policyholder to annuitize, resulting in the policyholder receiving the guarantee on a net basis. In certain cases, a guarantee may have elements of both an insurance liability and an embedded derivative and in such cases the guarantee is split and accounted for under both models. Further, changes in assumptions, principally involving behavior, can result in a change of expected future cash

outflows of a guarantee between portions accounted for as insurance liabilities and portions accounted for as embedded derivatives.

Guarantees accounted for as insurance liabilities in future policy benefits include GMDBs, the life contingent portion of GMWBs and the portion of 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.

These insurance liabilities are accrued over the accumulation phase of the contract in proportion to actual and future expected policy assessments based on the level of guaranteed minimum benefits generated using multiple scenarios of separate account returns. The scenarios are based on best estimate assumptions consistent with those used to amortize DAC. When current estimates of future benefits exceed those previously projected or when current estimates of future assessments are lower than those previously projected, liabilities will increase, resulting in a current period charge to net income. The opposite result occurs when the current estimates of future benefits are lower than those previously projected or when current estimates of future assessments exceed those previously projected. At each reporting period, we update the actual amount of business remaining in-force, which impacts expected future assessments and the projection of estimated future benefits resulting in a current period charge or increase to earnings. See Note 3 of the Notes to the Consolidated Financial Statements for additional details of guarantees accounted for as insurance liabilities.

Guarantees accounted for as embedded derivatives in policyholder account balances include the non-life contingent portion of GMWBs, GMABs, and for GMIBs the non-life contingent portion of the expected annuitization when the policyholder is forced into an annuitization upon depletion of their account value, as well as the Guaranteed Principal Option.

The estimated fair values of guarantees accounted for as embedded derivatives are determined based on the present value of projected future benefits minus the present value of projected future fees. At policy inception, we attribute to the embedded derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of projected future guaranteed benefits. Any additional fees represent “excess” fees and are reported in universal life and investment-type product policy fees. In valuing the embedded derivative, the percentage of fees included in the fair value measurement is locked-in at inception.

The projections of future benefits and future fees require capital markets and actuarial assumptions including expectations concerning policyholder behavior. A risk neutral valuation methodology is used to project the cash flows from the guarantees under multiple capital markets scenarios to determine an economic liability. The reported estimated fair value is then determined by taking the present value of these risk-free generated cash flows using a discount rate that incorporates a spread over the risk-free rate to reflect our nonperformance risk and adding a risk margin. See Note 8 of the Notes to the Consolidated Financial Statements for more information on the determination of estimated fair value.

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 “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,” “— Industry Trends and Uncertainties — COVID-19 Pandemic” and “— Investments — Current Environment.”

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 $3.8 billion and $4.5 billion at December 31, 2021 and 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 $54.9 billion and $52.0 billion at December 31, 2021 and 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, funding agreements, 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. See "Risk Factors — Economic Environment and Capital Markets-Related Risks — Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs and our access to capital."

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.

Under current GAAP, 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 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 CTE98 level in normal market conditions. We have enhanced our risk management focus on the core drivers of our combined RBC ratio and have refined our hedge program to better manage our RBC in stressed market scenarios.

On August 2, 2021, we authorized the repurchase of up to $1.0 billion of our common stock, which was in addition to our prior and subsequently fully utilized $200 million repurchase authorization announced on February 10, 2021. Repurchases under the August 2, 2021 authorization, of which $781 million was remaining at December 31, 2021, 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

Financial strength ratings represent the opinion of rating agencies regarding the ability of an insurance company to pay obligations under insurance policies and contracts in accordance with their terms. Credit ratings indicate the rating agency's opinion regarding a debt issuer's ability to meet the terms of debt obligations in a timely manner. They are important factors in our overall funding profile and ability to access certain types of liquidity and capital. The level and composition of our regulatory capital at the subsidiary level and our equity capital are among the many factors considered in determining our financial strength ratings and credit ratings. Each agency has its own capital adequacy evaluation methodology, and assessments are generally based on a combination of factors. Financial strength ratings are not statements of fact nor are they recommendations to purchase, hold or sell security, contract or policy. Each rating should be evaluated independently of any other rating.

Our financial strength ratings and long-term issuer credit ratings as of the date of this filing were as follows:

	A.M. Best (1)	Fitch (2)	Moody's (3)	S&P (4)
Current outlook	Stable	Stable	Stable	Stable
Financial Strength Ratings:				
Brighthouse Life Insurance Company	A	A	A3	A+
New England Life Insurance Company	A	A	A3	A+
Brighthouse Life Insurance Company of NY	A	NR	NR	A+
Long-term Issuer Credit Ratings:				
Brighthouse Financial, Inc.	bbb+	BBB+	Baa3	BBB+
Brighthouse Holdings, LLC	bbb+	BBB+	Baa3	BBB+

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(1) A.M. Best's financial strength ratings for insurance companies range from "A++ (Superior)" to "S (Suspended)." A.M. Best's long-term issuer credit ratings range from "aaa (exceptional)" to "s (suspended)."

(2) Fitch's financial strength ratings for insurance companies range from "AAA (highest rating)" to "C (distressed)." Fitch's long-term issuer credit ratings range from "AAA (highest rating)" to "D (default)."

(3) Moody's financial strength ratings for insurance companies and long-term issuer credit ratings range from "Aaa (highest quality)" to "C (lowest rated)."

(4) S&P's financial strength ratings for insurance companies and long-term issuer credit ratings range from "AAA (extremely strong)" to "SD (selective default)" or "D (default)."

NR = Not rated

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" for a 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:

	Years Ended December 31,		
	2021	2020	2019
	(In millions)		
Sources:			
Operating activities, net	$ 746	$ 888	$ 1,828
Changes in policyholder account balances, net	11,824	6,825	4,823
Changes in payables for collateral under securities loaned and other transactions, net	1,017	861	—
Long-term debt issued	400	615	1,000
Preferred stock issued, net of issuance costs	339	948	412
Total sources	14,326	10,137	8,063
Uses:			
Investing activities, net	12,238	5,843	7,341
Changes in payables for collateral under securities loaned and other transactions, net	—	—	666
Long-term debt repaid	680	1,552	602
Dividends on preferred stock	89	44	21
Treasury stock acquired in connection with share repurchases	499	473	442
Financing element on certain derivative instruments and other derivative related transactions, net	368	948	203
Other, net	86	46	56
Total uses	13,960	8,906	9,331
Net increase (decrease) in cash and cash equivalents	$ 366	$ 1,231	$ (1,268)

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 10 of the Notes to the Consolidated Financial Statements 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 for spread lending purposes in connection with our institutional spread margin business or to provide additional liquidity. The institutional spread margin business is comprised of funding agreements issued in connection with the programs described in more detail below. See "Obligations Under Funding Agreements" in Note 3 of the Notes to the Consolidated Financial Statements.

Funding Agreement-Backed Commercial Paper Program

In July 2021, Brighthouse Life Insurance Company established a funding agreement-backed commercial paper program (the "FABCP Program") for spread lending purposes, pursuant to which a special purpose limited liability company (the "SPLLC") may issue commercial paper and deposit the proceeds with Brighthouse Life Insurance Company under a funding agreement issued by Brighthouse Life Insurance Company to the SPLLC. The maximum aggregate principal amount permitted to be outstanding at any one time under the FABCP Program is $3.0 billion. Activity related to this funding agreement is reported in Corporate & Other.

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 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. Activity related to these funding agreements is 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 a secured funding agreement program, under which funding agreements may be issued either (i) for spread lending purposes or (ii) to provide additional liquidity. Activity related to these funding agreements is reported in Corporate & Other.

Farmer Mac Funding Agreements

Brighthouse Life Insurance Company has a secured 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) for spread lending purposes or (ii) to provide additional liquidity. Activity related to these funding agreements is reported in Corporate & Other.

Information regarding funding agreements issued for spread lending purposes is as follows:

	Aggregate Principal Amount Outstanding		Issuances			Repayments		
	December 31,		Years Ended December 31,					
	2021	2020	2021	2020	2019	2021	2020	2019
	(In millions)							
FABCP Program	$ 1,848	$ —	$ 2,939	$ —	$ —	$ 1,091	$ —	$ —
FABN Program	2,900	—	2,900	—	—	—	—	—
FHLB Funding Agreements (1)	900	—	1,352	—	—	452	—	—
Farmer Mac Funding Agreements	125	—	125	—	—	—	—	—
Total	$ 5,773	$ —	$ 7,316	$ —	$ —	$ 1,543	$ —	$ —

(1) Additionally, in April 2020, Brighthouse Life Insurance Company issued funding agreements for an aggregate collateralized borrowing of $1.0 billion to provide a readily available source of contingent liquidity and repaid such borrowing during the fourth quarter of 2020.

Debt Issuances

See Note 9 of the Notes to the Consolidated Financial Statements for information on debt issuances.

Credit and Committed Facilities

See Notes 9 and 10 of the Notes to the Consolidated Financial Statements 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.

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 December 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 10 of the Notes to the 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 December 31, 2021. In 2022, through February 18, 2022, BHF repurchased an additional 1,337,835 shares of its common stock through open market purchases, pursuant to a 10b5-1 plan, for $75 million.

Preferred Stock Dividends

See Notes 10 and 16 of the Notes to the Consolidated Financial Statements for information relating to dividends declared and paid on our preferred stock.

Debt Repayments, Repurchases, Redemptions and Exchanges

See Note 9 of the Notes to the Consolidated Financial Statements for information on debt repayments and repurchases, as well as debt maturities and the terms of our long-term debt outstanding.

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, as well as 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.

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. During the years ended December 31, 2021, 2020 and 2019, general account surrenders and withdrawals totaled $4.6 billion, $2.1 billion and $2.3 billion, respectively.

At December 31, 2021, our insurance liabilities, excluding obligations under our institutional spread margin business, totaled $108.3 billion and the related future estimated cash payments totaled $111.2 billion, of which $9.0 billion is due in the next twelve months. These estimated cash payments are based on assumptions related to mortality, morbidity, policy lapses, withdrawals, surrender charges, annuitization, future interest credited and other assumptions comparable with our experience and expectations of future payment patterns, as well as other contingent events as appropriate for the respective product type. These amounts are undiscounted and, therefore, exceed the liabilities included on the consolidated balance sheet. Actual cash payments on insurance liabilities may differ significantly from future estimated cash payments due to differences between actual experience and the assumptions used in the establishment of the liabilities and the estimation of the future cash payments. All future estimated cash payments are presented gross of any reinsurance recoverable. At December 31, 2021, obligations under our institutional spread margin business totaled $5.8 billion and the related future estimated cash payments, including interest, totaled $5.9 billion, of which $2.6 billion is due in the next twelve months.

Pledged Collateral

We enter into derivatives to manage various risks relating to our ongoing business operations. We pledge collateral to, and have collateral pledged to us by, counterparties in connection with our derivatives. At both December 31, 2021 and 2020, we did not pledge any cash collateral to counterparties. At December 31, 2021 and 2020, we were obligated to return cash collateral pledged to us by counterparties of $1.7 billion and $1.6 billion, respectively. The timing of the return of the derivatives collateral is uncertain. We also pledge collateral from time to time in connection with certain funding agreements.

We receive non-cash collateral from counterparties for derivatives, which can be sold or re-pledged subject to certain constraints, and which is not recorded on our consolidated balance sheets. The amount of this non-cash collateral at estimated fair value was $593 million and $898 million at December 31, 2021 and 2020, respectively.

See Note 7 of the Notes to the Consolidated Financial Statements for additional information regarding pledged collateral.

Securities Lending

We have a securities lending program that aims to enhance the total return on our investment portfolio, 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. Generally, our securities lending contracts expire within twelve months of issuance. We were liable for cash collateral under our control of $4.6 billion and $3.7 billion at December 31, 2021 and 2020, respectively.

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 amount of this non-cash collateral was $2 million at estimated fair value at December 31, 2021. The Company did not hold any non-cash collateral at December 31, 2020.

See Note 6 of the Notes to the Consolidated Financial Statements for further discussion of our securities lending program.

Contingencies, Commitments and Guarantees

We establish liabilities for litigation, regulatory and other loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. See "Contingencies" in Note 15 of the Notes to the Consolidated Financial Statements.

We enter into commitments for the purpose of enhancing the total return on our investment portfolio consisting of commitments to fund partnership investments, bank credit facilities and private corporate bond investments, as well as commitments to lend funds under mortgage loan commitments. We anticipate these commitments could be invested any time over the next five years. See Note 6 of the Notes to the Consolidated Financial Statements. See “Commitments” in Note 15 of the Notes to the Consolidated Financial Statements.

In the normal course of our business, we have provided certain indemnities, guarantees and commitments to third parties such that we may be required to make payments now or in the future. See “Guarantees” in Note 15 of the Notes to the 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. See “Risk Factors — Economic Environment and Capital Markets-Related Risks — Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs and our access to capital,” “Risk Factors — Regulatory and Legal Risks — Our insurance business is highly regulated, and changes in regulation and in supervisory and enforcement policies may materially impact our capitalization or cash flows, reduce our profitability and limit our growth” and “Risk Factors — Risks Related to Our Business — As a holding company, BHF depends on the ability of its subsidiaries to pay dividends.”

Short-term Liquidity and Liquid Assets

At both December 31, 2021 and 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, excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include assets held in trust.

At December 31, 2021 and 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, excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include assets held in trust.

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 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.

Normalized Statutory Earnings

Normalized statutory earnings (loss) is used by management to measure our insurance companies' ability to pay future distributions and is reflective of whether our hedging program functions as intended. Normalized statutory earnings (loss) is calculated as statutory pre-tax net gain (loss) from operations adjusted for the favorable or unfavorable impacts of (i) net realized capital gains (losses), (ii) the change in total asset requirement at CTE95, net of the change in our variable annuity reserves, and (iii) unrealized gains (losses) associated with our variable annuities risk management strategy. See "Glossary" for the definition of CTE95. In the first quarter of 2022, we will revise the calculation of normalized statutory earnings to better align with VA Reform and therefore our combined RBC ratio, where the relevant CTE measure is CTE98 rather than CTE95. Normalized statutory earnings (loss) may be further adjusted for certain unanticipated items that impact our results in order to help management and investors better understand, evaluate and forecast those results.

Our variable annuity block has been managed by funding the balance sheet with assets equal to or greater than a CTE95 level. We have also managed market-related risks of increases in these asset requirements by hedging the market sensitivity of the CTE95 level to changes in the capital markets. By including hedge gains and losses related to our variable annuity risk management strategy in our calculation of normalized statutory earnings (loss), we are able to fully reflect the change in value of the hedges, as well as the change in the value of the underlying CTE95 total asset requirement level. We believe this allows us to determine whether our hedging program is providing the desired level of protection. Beginning in the first quarter of 2022, in support of our target combined RBC ratio, our hedge program will target CTE98, rather than CTE95. See "— Risk Management Strategies — Variable Annuity Exposure Risk Management" for additional details regarding our hedge program.

The following table presents the components of combined normalized statutory earnings for Brighthouse Life Insurance Company and New England Life Insurance Company:

	Years Ended December 31,	
	2021	2020
	(In billions)	
Statutory net gain (loss) from operations, pre-tax	$ 1.4	$ (0.5)
Add: net realized capital gains (losses)	(1.6)	(0.4)
Add: change in total asset requirement at CTE95, net of the change in VA reserves	(0.6)	(0.6)
Add: unrealized gains (losses) on VA hedging program	0.3	1.4
Add: impact of actuarial items and other insurance adjustments	0.1	(0.6)
Add: other adjustments, net	0.1	0.3
Normalized statutory earnings (loss)	$ (0.3)	$ (0.4)

Primary Sources and Uses of Liquidity and Capital

The principal sources of funds available to BHF include distributions from 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

See Note 2 of Schedule II — Condensed Financial Information (Parent Company Only) for information relating to distributions from and capital contributions to BH Holdings.

Short-term Intercompany Loans and Intercompany Liquidity Facilities

See Note 3 of Schedule II — Condensed Financial Information (Parent Company Only) for information relating to short-term intercompany loans and our intercompany liquidity facilities including obligations outstanding, issuances and repayments.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Risk Management

We have an integrated process for managing risk exposures, which is coordinated among our Risk Management, Finance and Investment Departments. The process is designed to assess and manage exposures on a consolidated, company-wide basis. Brighthouse Financial, Inc. has established a Balance Sheet Committee ("BSC"). The BSC is responsible for periodically reviewing all material financial risks to us and, in the event risks exceed desired tolerances, informs the Finance and Risk Committee of the Board of Directors, considers possible courses of action and determines how best to resolve or mitigate such risks. In taking such actions, the BSC considers industry best practices and the current economic environment. The BSC also reviews and approves target investment portfolios in order to align them with our liability profile and establishes guidelines and limits for various risk-taking departments, such as the Investment Department. Our Finance Department and our Investment Department, together with Risk Management, are responsible for coordinating our ALM strategies throughout the enterprise. The membership of the BSC is comprised of the following members of senior management: Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, Chief Operating Officer and Chief Investment Officer.

Our significant market risk management practices include, but are not limited to, the following:

Managing Interest Rate Risk

We manage interest rate risk as part of our asset and liability management strategies, which include (i) maintaining an investment portfolio that has a weighted average duration approximately equal to the duration of our estimated liability cash flow profile, and (ii) maintaining hedging programs, including a macro interest rate hedging program. For certain of our liability portfolios, it is not possible to invest assets to the full liability duration, thereby creating some asset/liability mismatch. Where a liability cash flow may exceed the maturity of available assets, as is the case with certain retirement products, we may support such liabilities with equity investments, derivatives or other mismatch mitigation strategies. Although we take measures to manage the economic risks of investing in a changing interest rate environment, we may not be able to mitigate completely the interest rate or other mismatch risk of our fixed income investments relative to our interest rate sensitive liabilities. The level of interest rates also affects our liabilities for benefits under our annuity contracts. As interest rates decline, we may need to increase our reserves for future benefits under our annuity contracts, which would adversely affect our financial condition and results of operations.

We also employ product design and pricing strategies to mitigate the potential effects of interest rate movements. These strategies include the use of surrender charges or restrictions on withdrawals in some products and the ability to reset crediting rates for certain products.

We analyze interest rate risk using various models, including multi-scenario cash flow projection models that forecast cash flows of the liabilities and their supporting investments, including derivatives. These projections involve evaluating the potential gain or loss on most of our in-force business under various increasing and decreasing interest rate environments. State insurance department regulations require that we perform some of these analyses annually as part of our review of the sufficiency of our regulatory reserves. We measure relative sensitivities of the value of our assets and liabilities to changes in key assumptions using internal models. These models reflect specific product characteristics and include assumptions based on current and anticipated experience regarding lapse, mortality and interest crediting rates. In addition, these models include asset cash flow projections reflecting interest payments, sinking fund payments, principal payments, bond calls, prepayments and defaults.

We also use common industry metrics, such as duration and convexity, to measure the relative sensitivity of asset and liability values to changes in interest rates. In computing the duration of liabilities, we consider all policyholder guarantees and how indeterminate policy elements such as interest credits or dividends are set. Each asset portfolio has a duration target based on the liability duration and the investment objectives of that portfolio.

Managing Equity Market and Foreign Currency Risks

We manage equity market risk in a coordinated process across our Risk Management, Investment and Finance Departments primarily by holding sufficient capital to permit us to absorb modest losses, which may be temporary, from changes in equity markets and interest rates without adversely affecting our financial strength ratings and through the use of derivatives, such as equity futures, equity index options contracts, equity variance swaps and equity total return swaps. We may also employ reinsurance strategies to manage these exposures. Key management objectives include limiting losses, minimizing exposures to significant risks and providing additional capital capacity for future growth. The Investment and Finance Departments are also responsible for managing the exposure to foreign currency denominated investments. We use foreign currency swaps and forwards to mitigate the exposure, risk of loss and financial statement volatility associated with foreign currency denominated fixed income investments.

Market Risk - Fair Value Exposures

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. See “Risk Factors” for additional disclosure regarding our market risk and related sensitivities.

Interest Rates

Our fair value exposure to changes in interest rates arises most significantly from our interest rate sensitive liabilities and our holdings of fixed maturity securities, mortgage loans and derivatives that are used to support our policyholder liabilities. Our interest rate sensitive liabilities include long-term debt, policyholder account balances related to certain investment-type contracts, and embedded derivatives in variable annuity contracts with guaranteed minimum benefits. Our fixed maturity securities including U.S. and foreign government bonds, securities issued by government agencies, corporate bonds, mortgage-backed and other ABS, and our commercial, agricultural and residential mortgage loans, are exposed to changes in interest rates. We also use derivatives including swaps, caps, floors, forwards and options to mitigate the exposure related to interest rate risks from our product liabilities.

Equity Market

Along with investments in equity securities, we have fair value exposure to equity market risk through certain liabilities that involve long-term guarantees on equity performance such as embedded derivatives in variable annuity contracts with guaranteed minimum benefits, as well as certain policyholder account balances. In addition, we have exposure to equity markets through derivatives including options and swaps that we enter into to mitigate potential equity market exposure from our product liabilities.

Foreign Currency Exchange Rates

Our fair value exposure to fluctuations in foreign currency exchange rates against the U.S. dollar results from our holdings in non-U.S. dollar denominated fixed maturity securities, mortgage loans and certain liabilities. The principal currencies that create foreign currency exchange rate risk in our investment portfolios and liabilities are the Euro and the British pound. We economically hedge substantially all of our foreign currency exposure.

Risk Measurement: Sensitivity Analysis

In the following discussion and analysis, we measure market risk related to our market sensitive assets and liabilities based on changes in interest rates, equity market prices and foreign currency exchange rates using a sensitivity analysis. This analysis estimates the potential changes in estimated fair value based on a hypothetical 100 basis point change (increase or decrease) in interest rates, or a 10% change in equity market prices or foreign currency exchange rates. We believe that these changes in market rates and prices are reasonably possible in the near-term. In performing the analysis summarized below, we used market rates as of December 31, 2021. We modeled the impact of changes in market rates and prices on the estimated fair values of our market sensitive assets and liabilities as follows:

- the estimated fair value of our interest rate sensitive exposures resulting from a 100 basis point change (increase or decrease) in interest rates;
- the estimated fair value of our equity positions due to a 10% change (increase or decrease) in equity market prices; and
- the U.S. dollar equivalent of estimated fair values of our foreign currency exposures due to a 10% change (increase in the value of the U.S. dollar compared to the foreign currencies or decrease in the value of the U.S. dollar compared to the foreign currencies) in foreign currency exchange rates.

The sensitivity analysis is an estimate and should not be viewed as predictive of our future financial performance. Our actual losses in any particular period may vary from the amounts indicated in the table below. Limitations related to this sensitivity analysis include:

- interest sensitive liabilities do not include $47.3 billion of insurance contracts at December 31, 2021, which are accounted for on a book value basis. Management believes that the changes in the economic value of those contracts under changing interest rates would offset a significant portion of the fair value changes of interest sensitive assets;
- the market risk information is limited by the assumptions and parameters established in creating the related sensitivity analysis, including the impact of prepayment rates on mortgage loans;
- foreign currency exchange rate risk is not isolated for certain embedded derivatives within host asset and liability contracts, as the risk on these instruments is reflected as equity;
- for derivatives that qualify for hedge accounting, the impact on reported earnings may be materially different from the change in market values;
- the analysis excludes limited partnership interests; and
- the model assumes that the composition of assets and liabilities remains unchanged throughout the period.

Accordingly, we use such models as tools and not as substitutes for the experience and judgment of our management.

The potential loss in the estimated fair value of our interest rate sensitive financial instruments due to a 100 basis point increase in the yield curve by type of asset and liability was as follows at:

	December 31, 2021		
	Notional Amount	Estimated Fair Value (1)	100 Basis Point Increase in the Yield Curve
		(In millions)	
Financial assets with interest rate risk			
Fixed maturity securities		$ 87,582	$ (7,392)
Mortgage loans		$ 20,656	(869)
Policy loans		$ 1,656	(124)
Premiums, reinsurance and other receivables		$ 3,769	(249)
Embedded derivatives within asset host contracts (2)		$ 186	(59)
Increase (decrease) in estimated fair value of assets			(8,693)
Financial liabilities with interest rate risk (3)			
Policyholder account balances		$ 23,614	161
Long-term debt		$ 3,504	320
Other liabilities		$ 854	(7)
Embedded derivatives within liability host contracts (2)		$ 8,496	1,171
(Increase) decrease in estimated fair value of liabilities			1,645
Derivative instruments with interest rate risk			
Interest rate contracts	$ 25,733	$ 964	(1,847)
Equity contracts	$ 58,592	$ 199	11
Foreign currency contracts	$ 4,732	$ 281	(14)
Increase (decrease) in estimated fair value of derivative instruments			(1,850)
Net change			$ (8,898)

(1) Separate account assets and liabilities, which are interest rate sensitive, are not included herein as any interest rate risk is borne by the contract holder.

(2) Embedded derivatives are recognized on the consolidated balance sheet in the same caption as the host contract.

(3) Excludes $47.3 billion of liabilities at carrying value pursuant to insurance contracts reported within future policy benefits and other policy-related balances on the consolidated balance sheet at December 31, 2021. Management believes that the changes in the economic value of those contracts under changing interest rates would offset a significant portion of the fair value changes of interest rate sensitive assets.

Sensitivity Summary

Sensitivity to a 100 basis point rise in interest rates increased by $208 million, or 2%, to $8.9 billion at December 31, 2021 from $8.7 billion at December 31, 2020.

Sensitivity to a 10% rise in equity prices increased by $15 million, or 1%, to $1.1 billion at December 31, 2021 from $1.0 billion at December 31, 2020.

As previously mentioned, we economically hedge substantially all of our foreign currency exposure such that sensitivity to changes in foreign currencies is minimal.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Brighthouse Financial, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Brighthouse Financial, Inc. and subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and the schedules listed in the Index to Consolidated Financial Statements, Notes and Schedules (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2022, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Liability for Future Policy Benefits – Refer to Notes 1 and 3 to the consolidated financial statements

Critical Audit Matter Description

As of December 31, 2021, the liability for future policy benefits totaled $43.8 billion, and included benefits related to variable annuity contracts with guaranteed benefit riders and universal life insurance contracts with secondary guarantees. Management regularly reviews its assumptions supporting the estimates of these actuarial liabilities and differences between actual experience and the assumptions used in pricing the policies and guarantees may require a change to the assumptions

recorded at inception as well as an adjustment to the related liabilities. Updating such assumptions can result in variability of profits or the recognition of losses.

Given the future policy benefit obligation for these contracts is sensitive to changes in the assumptions related to general account and separate account investment returns, and policyholder behavior including mortality, lapses, premium persistency, benefit election and utilization, and withdrawals, auditing management's selection of these assumptions involves an especially high degree of estimation.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the updating of assumptions by management included the following, among others:

- We tested the effectiveness of management's controls over the assumption review process, including those over the selection of the significant assumptions used related to general account and separate account investment returns, and policyholder behavior including mortality, lapses, premium persistency, benefit election and utilization, and withdrawals.
- With the assistance of our actuarial specialists, we evaluated the appropriateness of the significant assumptions used, developed an independent estimate of the future policy benefit liability for a sample of policies, and compared our estimates to management's estimates.
- We tested the completeness and accuracy of the underlying data that served as the basis for the actuarial analysis, including experience studies, to test that the inputs to the actuarial estimate were reasonable.
- We evaluated the methods and significant assumptions used by management to identify potential bias.
- We evaluated whether the significant assumptions used were consistent with evidence obtained in other areas of the audit.

Deferred Acquisition Cost (DAC) – Refer to Notes 1 and 4 to the consolidated financial statements

Critical Audit Matter Description

The Company incurs and defers certain costs in connection with acquiring new and renewal insurance business. These deferred costs, amounting to $5.4 billion as of December 31, 2021, are amortized over the expected life of the policy contract in proportion to actual and expected future gross profits, premiums, or margins. For deferred annuities and universal life contracts, expected future gross profits utilized in the amortization calculation are derived using assumptions such as separate account and general account investment returns, mortality, in-force or persistency, benefit elections and utilization, and withdrawals. The assumptions used in the calculation of expected future gross profits are reviewed at least annually.

Given the significance of the estimates and uncertainty associated with the long-term assumptions utilized in the determination of expected future gross profits, auditing management's determination of the appropriateness of the assumptions used in the calculation of DAC amortization involves an especially high degree of estimation.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's determination of DAC amortization included the following, among others:

- We tested the effectiveness of management's controls related to the determination of expected future gross profits, including those over management's review that the significant assumptions utilized related to separate account and general account investment returns, mortality, in-force or persistency, benefit elections and utilization, and withdrawals represented a reasonable estimate.
- With assistance from our actuarial specialists, we evaluated the data included in the estimate provided by the Company's actuaries and the methodology utilized, and evaluated the process used by the Company to determine whether the significant assumptions used were reasonable estimates based on the Company's own experience and industry studies.

- We inquired of the Company's actuarial specialists whether there were any changes in the methodology utilized during the year in the determination of expected future gross profits.
- We inspected supporting documentation underlying the Company's experience studies and, utilizing our actuarial specialists, independently recalculated the amortization for a sample of policies, and compared our estimates to management's estimates.
- We evaluated whether the significant assumptions used by the Company were consistent with evidence obtained in other areas of the audit and to identify potential bias.
- We evaluated the sufficiency of the Company's disclosures related to DAC amortization.

Embedded Derivative Liabilities Related to Variable Annuity Guarantees – Refer to Notes 1, 7, and 8 to the consolidated financial statements.

Critical Audit Matter Description

The Company sells index-linked annuities and variable annuity products with guaranteed minimum benefits, some of which are embedded derivatives that are required to be bifurcated from the host contract, separately accounted for, and measured at fair value. As of December 31, 2021, the fair value of the embedded derivative liability associated with certain of the Company's annuity contracts was $8.5 billion. Management utilizes various assumptions in order to measure the embedded liability including expectations concerning policyholder behavior, mortality and risk margins, as well as changes in the Company's own nonperformance risk. These assumptions are reviewed at least annually by management, and if they change significantly, the estimated fair value is adjusted by a cumulative charge or credit to net income.

Given the embedded derivative liability is sensitive to changes in these assumptions, auditing management's selection of these assumptions involves an especially high degree of estimation.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the assumptions selected by management for the embedded derivative liability included the following, among others:

- We tested the effectiveness of management's controls over the embedded derivative liability, including those over the selection of the significant assumptions related to policyholder behavior, mortality, risk margins and the Company's nonperformance risk.
- With the assistance of our actuarial specialists, we evaluated the appropriateness of the significant assumptions, tested the completeness and accuracy of the underlying data and the mathematical accuracy of the Company's valuation model.
- We evaluated the reasonableness of the Company's assumptions by comparing those selected by management to those independently derived by our actuarial specialists, drawing upon standard actuarial and industry practice.
- We evaluated the methods and assumptions used by management to identify potential bias in the determination of the embedded liability.
- We evaluated whether the assumptions used were consistent with evidence obtained in other areas of the audit.

/s/ DELOITTE & TOUCHE LLP
Charlotte, North Carolina
February 24, 2022

We have served as the Company's auditor since 2016.

Brighthouse Financial, Inc.

Consolidated Balance Sheets
December 31, 2021 and 2020

(In millions, except share and per share data)

	2021	2020
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $79,246 and $70,529, respectively; allowance for credit losses of $11 and $2, respectively)	$ 87,582	$ 82,495
Equity securities, at estimated fair value	101	138
Mortgage loans (net of allowance for credit losses of $123 and $94, respectively)	19,850	15,808
Policy loans	1,264	1,291
Limited partnerships and limited liability companies	4,271	2,810
Short-term investments, principally at estimated fair value	1,841	3,242
Other invested assets, principally at estimated fair value (net of allowance for credit losses of $13 and $13, respectively)	3,316	3,747
Total investments	118,225	109,531
Cash and cash equivalents	4,474	4,108
Accrued investment income	724	676
Premiums, reinsurance and other receivables (net of allowance for credit losses of $10 and $10, respectively)	16,094	16,158
Deferred policy acquisition costs and value of business acquired	5,377	4,911
Other assets	482	516
Separate account assets	114,464	111,969
Total assets	$ 259,840	$ 247,869
Liabilities and Equity		
Liabilities		
Future policy benefits	$ 43,807	$ 44,448
Policyholder account balances	66,851	54,508
Other policy-related balances	3,457	3,411
Payables for collateral under securities loaned and other transactions	6,269	5,252
Long-term debt	3,157	3,436
Current income tax payable	62	126
Deferred income tax liability	1,062	1,620
Other liabilities	4,504	5,011
Separate account liabilities	114,464	111,969
Total liabilities	243,633	229,781
Contingencies, Commitments and Guarantees (Note 15)		
Equity		
Brighthouse Financial, Inc.’s stockholders’ equity:		
Preferred stock, par value $0.01 per share; $1,753 and $1,403, respectively, aggregate liquidation preference	—	—
Common stock, par value $0.01 per share; 1,000,000,000 shares authorized; 121,513,442 and 121,002,523 shares issued, respectively; 77,870,072 and 88,211,618 shares outstanding, respectively	1	1
Additional paid-in capital	14,154	13,878
Retained earnings (deficit)	(642)	(534)
Treasury stock, at cost; 43,643,370 and 32,790,905 shares, respectively	(1,543)	(1,038)
Accumulated other comprehensive income (loss)	4,172	5,716
Total Brighthouse Financial, Inc.’s stockholders’ equity	16,142	18,023
Noncontrolling interests	65	65
Total equity	16,207	18,088
Total liabilities and equity	$ 259,840	$ 247,869

See accompanying notes to the consolidated financial statements.

Brighthouse Financial, Inc.

Consolidated Statements of Operations
For the Years Ended December 31, 2021, 2020 and 2019

(In millions, except per share data)

	2021	2020	2019
Revenues			
Premiums	$ 707	$ 766	$ 882
Universal life and investment-type product policy fees	3,636	3,463	3,580
Net investment income	4,881	3,601	3,579
Other revenues	446	413	389
Net investment gains (losses)	(59)	278	112
Net derivative gains (losses)	(2,469)	(18)	(1,988)
Total revenues	7,142	8,503	6,554
Expenses			
Policyholder benefits and claims	3,443	5,711	3,670
Interest credited to policyholder account balances	1,312	1,092	1,063
Amortization of deferred policy acquisition costs and value of business acquired	144	766	382
Other expenses	2,451	2,353	2,491
Total expenses	7,350	9,922	7,606
Income (loss) before provision for income tax	(208)	(1,419)	(1,052)
Provision for income tax expense (benefit)	(105)	(363)	(317)
Net income (loss)	(103)	(1,056)	(735)
Less: Net income (loss) attributable to noncontrolling interests	5	5	5
Net income (loss) attributable to Brighthouse Financial, Inc.	(108)	(1,061)	(740)
Less: Preferred stock dividends	89	44	21
Net income (loss) available to Brighthouse Financial, Inc.’s common shareholders	$ (197)	$ (1,105)	$ (761)
Earnings per common share			
Basic	$ (2.36)	$ (11.58)	$ (6.76)
Diluted	$ (2.36)	$ (11.58)	$ (6.76)

See accompanying notes to the consolidated financial statements.

Brighthouse Financial, Inc.

Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended December 31, 2021, 2020 and 2019

(In millions)

	2021	2020	2019
Net income (loss)	$ (103)	$ (1,056)	$ (735)
Other comprehensive income (loss):			
Unrealized investment gains (losses), net of related offsets	(2,107)	3,208	3,209
Unrealized gains (losses) on derivatives	156	(72)	(19)
Foreign currency translation adjustments	1	20	12
Defined benefit plans adjustment	(4)	(13)	(10)
Other comprehensive income (loss), before income tax	(1,954)	3,143	3,192
Income tax (expense) benefit related to items of other comprehensive income (loss)	410	(667)	(668)
Other comprehensive income (loss), net of income tax	(1,544)	2,476	2,524
Comprehensive income (loss)	(1,647)	1,420	1,789
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax	5	5	5
Comprehensive income (loss) attributable to Brighthouse Financial, Inc.	$ (1,652)	$ 1,415	$ 1,784

See accompanying notes to the consolidated financial statements.

Brighthouse Financial, Inc.

Consolidated Statements of Equity
For the Years Ended December 31, 2021, 2020 and 2019

(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, 2018	$ —	$ 1	$ 12,473	$ 1,346	$ (118)	$ 716	$ 14,418	$ 65	$ 14,483
Preferred stock issuance	—		412				412		412
Treasury stock acquired in connection with share repurchases					(442)		(442)		(442)
Share-based compensation		—	23		(2)		21		21
Dividends on preferred stock				(21)			(21)		(21)
Change in noncontrolling interests							—	(5)	(5)
Net income (loss)				(740)			(740)	5	(735)
Other comprehensive income (loss), net of income tax						2,524	2,524		2,524
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
Preferred stock issuances	—		948				948		948
Treasury stock acquired in connection with share repurchases					(473)		(473)		(473)
Share-based compensation		—	22		(3)		19		19
Dividends on preferred stock				(44)			(44)		(44)
Change in noncontrolling interests							—	(5)	(5)
Net income (loss)				(1,061)			(1,061)	5	(1,056)
Other comprehensive income (loss), net of income tax						2,473	2,473		2,473
Balance at December 31, 2020	—	1	13,878	(534)	(1,038)	5,716	18,023	65	18,088
Preferred stock issuance	—		339				339		339
Treasury stock acquired in connection with share repurchases					(499)		(499)		(499)
Share-based compensation		—	26		(6)		20		20
Dividends on preferred stock			(89)				(89)		(89)
Change in noncontrolling interests							—	(5)	(5)
Net income (loss)				(108)			(108)	5	(103)
Other comprehensive income (loss), net of income tax						(1,544)	(1,544)		(1,544)
Balance at December 31, 2021	$ —	$ 1	$ 14,154	$ (642)	$ (1,543)	$ 4,172	$ 16,142	$ 65	$ 16,207

See accompanying notes to the consolidated financial statements.

Brighthouse Financial, Inc.

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021, 2020 and 2019

(In millions)

	2021	2020	2019
Cash flows from operating activities			
Net income (loss)	$ (103)	$ (1,056)	$ (735)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Amortization of premiums and accretion of discounts associated with investments, net	(254)	(260)	(283)
(Gains) losses on investments, net	59	(278)	(112)
(Gains) losses on derivatives, net	2,120	424	2,547
(Income) loss from equity method investments, net of dividends and distributions	(987)	(54)	70
Interest credited to policyholder account balances	1,312	1,092	1,063
Universal life and investment-type product policy fees	(3,636)	(3,463)	(3,580)
Change in accrued investment income	(44)	(9)	84
Change in premiums, reinsurance and other receivables	56	(1,346)	(629)
Change in deferred policy acquisition costs and value of business acquired, net	(349)	358	8
Change in income tax	(210)	(243)	(316)
Change in other assets	2,086	1,968	1,974
Change in future policy benefits and other policy-related balances	741	3,395	1,688
Change in other liabilities	(153)	285	(26)
Other, net	108	75	75
Net cash provided by (used in) operating activities	746	888	1,828
Cash flows from investing activities			
Sales, maturities and repayments of:			
Fixed maturity securities	12,616	8,459	14,146
Equity securities	129	68	57
Mortgage loans	2,900	1,935	1,538
Limited partnerships and limited liability companies	271	177	302
Purchases of:			
Fixed maturity securities	(21,158)	(14,401)	(16,915)
Equity securities	(18)	(23)	(22)
Mortgage loans	(6,913)	(2,076)	(3,610)
Limited partnerships and limited liability companies	(837)	(581)	(463)
Cash received in connection with freestanding derivatives	3,965	6,356	2,041
Cash paid in connection with freestanding derivatives	(4,592)	(4,515)	(2,639)
Net change in policy loans	27	1	129
Net change in short-term investments	1,397	(1,271)	(1,942)
Net change in other invested assets	(25)	28	37
Net cash provided by (used in) investing activities	$ (12,238)	$ (5,843)	$ (7,341)

See accompanying notes to the consolidated financial statements.

Brighthouse Financial, Inc.

Consolidated Statements of Cash Flows (continued)
For the Years Ended December 31, 2021, 2020 and 2019

(In millions)

	2021	2020	2019
Cash flows from financing activities			
Policyholder account balances:			
Deposits	$ 16,059	$ 10,095	$ 7,672
Withdrawals	(4,235)	(3,270)	(2,849)
Net change in payables for collateral under securities loaned and other transactions	1,017	861	(666)
Long-term debt issued	400	615	1,000
Long-term debt repaid	(680)	(1,552)	(602)
Preferred stock issued, net of issuance costs	339	948	412
Dividends on preferred stock	(89)	(44)	(21)
Treasury stock acquired in connection with share repurchases	(499)	(473)	(442)
Financing element on certain derivative instruments and other derivative related transactions, net	(368)	(948)	(203)
Other, net	(86)	(46)	(56)
Net cash provided by (used in) financing activities	11,858	6,186	4,245
Change in cash, cash equivalents and restricted cash	366	1,231	(1,268)
Cash, cash equivalents and restricted cash, beginning of year	4,108	2,877	4,145
Cash, cash equivalents and restricted cash, end of year	$ 4,474	$ 4,108	$ 2,877
Supplemental disclosures of cash flow information			
Net cash paid (received) for:			
Interest	$ 160	$ 186	$ 187
Income tax	$ 103	$ (100)	$ 16

See accompanying notes to the consolidated financial statements.

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

Business

Brighthouse Financial, Inc. ("BHF" and together with its subsidiaries, "Brighthouse Financial" or the "Company") is one of the largest providers of annuity and life insurance products in the U.S. through multiple independent distribution channels and marketing arrangements with a diverse network of distribution partners. BHF is a holding company that was incorporated in Delaware in 2016 in preparation for the separation of a substantial portion of MetLife, Inc.'s (together with its subsidiaries and affiliates, "MetLife") former Retail segment, as well as certain portions of its former Corporate Benefit Funding segment, into a separate, publicly-traded company, Brighthouse Financial (the "Separation"), which was completed on August 4, 2017. 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 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 consolidated financial statements include the accounts of Brighthouse Financial, as well as partnerships and limited liability companies ("LLC") 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 years' consolidated financial statements and related footnotes thereto have been reclassified to conform with the current year presentation as may be discussed when applicable in the Notes to the Consolidated Financial Statements.

Summary of Significant Accounting Policies

Insurance

Future Policy Benefit Liabilities and Policyholder Account Balances

The Company establishes liabilities for future amounts payable under insurance policies. Insurance liabilities are generally equal to the present value of future expected benefits to be paid, reduced by the present value of future expected net premiums. Assumptions used to measure the liability are based on the Company's experience and include a margin for adverse deviation. The most significant assumptions used in the establishment of liabilities for future policy benefits are mortality, benefit election and utilization, withdrawals, policy lapse, and investment returns as appropriate to the respective product type.

For traditional long-duration insurance contracts (term, non-participating whole life insurance and income annuities), assumptions are determined at issuance of the policy and are not updated unless a premium deficiency exists. A premium deficiency exists when the liability for future policy benefits plus the present value of expected future gross premiums are less than expected future benefits and expenses (based on current assumptions). When a premium deficiency exists, the Company will reduce any deferred acquisition costs and may also establish an additional liability to eliminate the deficiency. To assess whether a premium deficiency exists, the Company groups insurance contracts based on the manner acquired, serviced and measured for profitability. In applying the profitability criteria, groupings are limited by segment.

The Company is also required to reflect the effect of investment gains and losses in its premium deficiency testing. When a premium deficiency exists related to unrealized gains and losses, any reductions in deferred acquisition costs or increases in insurance liabilities are recorded to other comprehensive income (loss) (“OCI”).

Policyholder account balances relate to customer deposits on universal life insurance and deferred annuity contracts and are equal to the sum of deposits, plus interest credited, less charges and withdrawals. The Company may also hold additional liabilities for certain guaranteed benefits related to these contracts. Policyholder account balances also include liabilities related to funding agreements which are equal to the unpaid principal balance, adjusted for any unamortized premium or discount.

Liabilities for secondary guarantees on universal life insurance contracts are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the contract period based on total expected assessments. The benefits used in calculating the liabilities are based on the average benefits payable over a range of scenarios. The Company also maintains a liability for profits followed by losses on universal life with secondary guarantees (“ULSG”) determined by projecting future earnings and establishing a liability to offset losses that are expected to occur in later years. Changes in ULSG liabilities are recorded to net income, except for the effects of unrealized gains and losses, which are recorded to OCI.

Recognition of Insurance Revenues and Deposits

Premiums related to traditional life insurance and annuity contracts are recognized as revenues when due from policyholders. When premiums for income annuities are due over a significantly shorter period than the period over which policyholder benefits are incurred, any excess profit is deferred and recognized into earnings in proportion to the amount of expected future benefit payments.

Deposits related to universal life insurance, deferred annuity contracts and investment contracts are credited to policyholder account balances. Revenues from such contracts consist of asset-based investment management fees, cost of insurance charges, risk charges, policy administration fees and surrender charges. These fees, which are included in universal life and investment-type product policy fees, are recognized when assessed to the contract holder, except for non-level insurance charges which are deferred and amortized over the life of the contracts.

Premiums, policy fees, policyholder benefits and expenses are presented net of reinsurance.

Deferred Policy Acquisition Costs, Value of Business Acquired and Deferred Sales Inducements

The Company incurs significant costs in connection with acquiring new and renewal insurance business. Costs that are related directly to the successful acquisition or renewal of insurance contracts are capitalized as deferred policy acquisition costs (“DAC”). These costs mainly consist of commissions and include the portion of employees’ compensation and benefits related to time spent selling, underwriting or processing the issuance of new insurance contracts. All other acquisition-related costs are expensed as incurred.

Value of business acquired (“VOBA”) is an intangible asset resulting from a business combination that represents the excess of book value over the estimated fair value of acquired insurance, annuity and investment-type contracts in-force as of the acquisition date.

The Company amortizes DAC and VOBA related to term non-participating whole life insurance over the appropriate premium paying period in proportion to the actual and expected future gross premiums that were set at contract issue. The expected premiums are based upon the premium requirement of each policy and assumptions for mortality, in-force or persistency and investment returns at policy issuance, or policy acquisition (as it relates to VOBA), include provisions for adverse deviation, and are consistent with the assumptions used to calculate future policy benefit liabilities. These assumptions are not revised after policy issuance or acquisition unless the DAC or VOBA balance is deemed to be unrecoverable from future expected profits.

The Company amortizes DAC and VOBA on deferred annuities and universal life insurance contracts over the estimated lives of the contracts in proportion to actual and expected future gross profits. The amortization includes interest based on rates in effect at inception or acquisition of the contracts. The amount of future gross profits is dependent principally upon investment returns in excess of the amounts credited to policyholders, mortality, in-force or persistency, benefit elections and utilization, and withdrawals. When significant negative gross profits are expected in future periods, the Company substitutes the amount of insurance in-force for expected future gross profits as the amortization basis for DAC.

Assumptions for DAC and VOBA are reviewed at least annually, and if they change significantly, the cumulative DAC and VOBA amortization is re-estimated and adjusted by a cumulative charge or credit to net income. When expected future gross profits are below those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to net income. The opposite result occurs when the expected future gross profits are above the previously estimated expected future gross profits.

The Company updates expected future gross profits to reflect the actual gross profits for each period, including changes to its nonperformance risk related to embedded derivatives and the actual amount of business remaining in-force. When actual gross profits exceed those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to net income. The opposite result occurs when the actual gross profits are below the previously expected future gross profits.

DAC and VOBA balances on deferred annuities and universal life insurance contracts are also adjusted to reflect the effect of investment gains and losses and certain embedded derivatives (including changes in nonperformance risk). These adjustments can create fluctuations in net income from period to period. Changes in DAC and VOBA balances related to unrealized gains and losses are recorded to OCI.

DAC and VOBA balances and amortization for variable contracts can be significantly impacted by changes in expected future gross profits related to projected separate account rates of return. The Company's practice of determining changes in separate account returns assumes that long-term appreciation in equity markets is only changed when sustained interim deviations are expected. The Company monitors these events and only changes the assumption when its long-term expectation changes.

Periodically, the Company modifies product benefits, features, rights or coverages that occur by the exchange of an existing contract for a new contract, or by amendment, endorsement, or rider to a contract, or by election or coverage within a contract. If a modification is considered to have substantially changed the contract, the associated DAC or VOBA is written off immediately as net income and any new acquisition costs associated with the replacement contract are deferred. If the modification does not substantially change the contract, the DAC or VOBA amortization on the original contract will continue and any acquisition costs associated with the related modification are expensed.

The Company also has intangible assets representing deferred sales inducements ("DSI") which are included in other assets. The Company defers sales inducements and amortizes them over the life of the policy using the same methodology and assumptions used to amortize DAC. The amortization of DSI is included in policyholder benefits and claims. Each year, or more frequently if circumstances indicate a possible impairment exists, the Company reviews DSI to determine whether the assets are impaired.

Reinsurance

The Company enters into reinsurance arrangements pursuant to which it cedes certain insurance risks to unaffiliated reinsurers. Cessions under reinsurance agreements do not discharge the Company's obligations as the primary insurer. The accounting for reinsurance arrangements depends on whether the arrangement provides indemnification against loss or liability relating to insurance risk in accordance with GAAP.

For ceded reinsurance of existing in-force blocks of insurance contracts that transfer significant insurance risk, premiums, benefits and the amortization of DAC are reported net of reinsurance ceded. Amounts recoverable from reinsurers related to incurred claims and ceded reserves are included in premiums, reinsurance and other receivables and amounts payable to reinsurers included in other liabilities.

If the Company determines that a reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, the Company records the agreement using the deposit method of accounting. Deposits received are included in other liabilities and deposits made are included within premiums, reinsurance and other receivables. As amounts are paid or received, consistent with the underlying contracts, the deposit assets or liabilities are adjusted. Interest on such deposits is recorded as other revenues or other expenses, as appropriate.

The funds withheld liability represents amounts withheld by the Company in accordance with the terms of the reinsurance agreements. Under certain reinsurance agreements, the Company withholds the funds rather than transferring the underlying investments and, as a result, records a funds withheld liability within other liabilities. The Company recognizes interest on funds withheld, included in other expenses, at rates defined by the terms of the agreement which may be contractually specified or directly related to the investment portfolio. Certain funds withheld arrangements may also contain embedded derivatives measured at fair value that are related to the investment return on the assets withheld.

The Company accounts for assumed reinsurance similar to directly written business, except for guaranteed minimum income benefits ("GMIB"), where a portion of the directly written GMIBs are accounted for as insurance liabilities, but the associated reinsurance agreements contain embedded derivatives.

Variable Annuity Guarantees

The Company issues certain variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit (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.

Certain of the Company's variable annuity guarantee features are accounted for as insurance liabilities and recorded in future policy benefits while others are accounted for at fair value as embedded derivatives and recorded in policyholder account balances. Generally, a guarantee is accounted for as an insurance liability if the guarantee is paid only upon either the occurrence of a specific insurable event, or annuitization. Alternatively, a guarantee is accounted for as an embedded derivative if a guarantee is paid without requiring the occurrence of specific insurable event, or the policyholder to annuitize, that is, the policyholder can receive the guarantee on a net basis. In certain cases, a guarantee may have elements of both an insurance liability and an embedded derivative and in such cases the guarantee is split and accounted for under both models. Further, changes in assumptions, principally involving policyholder behavior, can result in a change of expected future cash outflows of a guarantee between portions accounted for as insurance liabilities and portions accounted for as embedded derivatives.

Guarantees accounted for as insurance liabilities in future policy benefits include guaranteed minimum death benefits ("GMDB"), the life contingent portion of the guaranteed minimum withdrawal benefits ("GMWB") and the portion of the GMIBs that require annuitization, as well as the life contingent portion of the expected annuitization when the policyholder is forced into an annuitization upon depletion of their account value.

These insurance liabilities are accrued over the accumulation phase of the contract in proportion to actual and future expected policy assessments based on the level of guaranteed minimum benefits generated using multiple scenarios of separate account returns. The scenarios are based on best estimate assumptions consistent with those used to amortize DAC. When current estimates of future benefits exceed those previously projected or when current estimates of future assessments are lower than those previously projected, liabilities will increase, resulting in a current period charge to net income. The opposite result occurs when the current estimates of future benefits are lower than those previously projected or when current estimates of future assessments exceed those previously projected. At each reporting period, the actual amount of business remaining in-force is updated, which impacts expected future assessments and the projection of estimated future benefits resulting in a current period charge or increase to earnings. Guarantees accounted for as embedded derivatives in policyholder account balances include the non-life contingent portion of GMWBs, guaranteed minimum accumulation benefits ("GMAB"), and for GMIBs the non-life contingent portion of the expected annuitization when the policyholder is forced into an annuitization upon depletion of their account value, as well as the guaranteed principal option.

The estimated fair values of guarantees accounted for as embedded derivatives are determined based on the present value of projected future benefits minus the present value of projected future fees. At policy inception, the Company attributes to the embedded derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of projected future guaranteed benefits. Any additional fees are considered revenue and are reported in universal life and investment-type product policy fees. The percentage of fees included in the initial fair value measurement is not updated in subsequent periods.

The Company updates the estimated fair value of guarantees in subsequent periods by projecting future benefits using capital markets and actuarial assumptions including expectations of policyholder behavior. A risk neutral valuation methodology is used to project the cash flows from the guarantees under multiple capital markets scenarios to determine an economic liability. The reported estimated fair value is then determined by taking the present value of these risk-free generated cash flows using a discount rate that incorporates a spread over the risk-free rate to reflect the Company’s nonperformance risk and adding a risk margin. For more information on the determination of estimated fair value of embedded derivatives, see Note 8.

Assumptions for all variable guarantees are reviewed at least annually, and if they change significantly, the estimated fair value is adjusted by a cumulative charge or credit to net income.

Index-linked Annuities

The Company issues and assumes through reinsurance index-linked annuities. The crediting rate associated with index-linked annuities is accounted for at fair value as an embedded derivative. The estimated fair value is determined using a combination of an option pricing model and an option-budget approach. Under this approach, the Company estimates the cost of funding the crediting rate using option pricing and establishes that cost on the balance sheet as a reduction to the initial deposit amount. In subsequent periods, the embedded derivative is remeasured at fair value while the reduction in initial deposit is accreted back up to the initial deposit over the estimated life of the contract.

Investments

Net Investment Income and Net Investment Gains (Losses)

Income from investments is reported within net investment income, unless otherwise stated herein. Gains and losses on sales of investments, impairment losses and changes in valuation allowances are reported within net investment gains (losses), unless otherwise stated herein.

Fixed Maturity Securities Available-For-Sale

The Company’s fixed maturity securities are classified as available-for-sale and are reported at their estimated fair value. Unrealized investment gains and losses on these securities are recorded as a separate component of OCI, net of policy-related amounts and deferred income taxes. Publicly-traded security transactions are recorded on a trade date basis, while privately-placed and bank loan security transactions are recorded on a settlement date basis. Investment gains and losses on sales are determined on a specific identification basis.

Interest income and prepayment fees are recognized when earned. Interest income is recognized using an effective yield method giving effect to amortization of premiums and accretion of discounts and is based on the estimated economic life of the securities, which for residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”) and asset-backed securities (“ABS”) (collectively, “Structured Securities”) considers the estimated timing and amount of prepayments of the underlying loans. The amortization of premium and accretion of discount of fixed maturity securities also takes into consideration call and maturity dates.

Amortization of premium and accretion of discount on Structured Securities considers the estimated timing and amount of prepayments of the underlying loans. Actual prepayment experience is periodically reviewed, and effective yields are recalculated when differences arise between the originally anticipated and the actual prepayments received and currently anticipated. Prepayment assumptions for Structured Securities are estimated using inputs obtained from third-party specialists and based on management’s knowledge of the current market. For credit-sensitive Structured Securities and certain prepayment-sensitive securities, the effective yield is recalculated on a prospective basis. For all other Structured Securities, the effective yield is recalculated on a retrospective basis.

The Company regularly evaluates fixed maturity securities for declines in fair value to determine if a credit loss exists. This evaluation is based on management's case-by-case evaluation of the underlying reasons for the decline in fair value including, but not limited to an analysis of the gross unrealized losses by severity and financial condition of the issuer.

For fixed maturity securities in an unrealized loss position, when the Company has the intent to sell the security, or it is more likely than not that the Company will be required to sell the security before recovery, the amortized cost basis of the security is written down to 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. If the Company determines the decline in estimated fair value is due to credit losses, the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected is recognized as an allowance through net investment gains (losses). If the estimated fair value is less than the present value of projected future cash flows expected to be collected, this portion of the allowance related to other-than-credit factors is recorded in 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.

Mortgage Loans

Mortgage loans are stated at unpaid principal balance, adjusted for any unamortized premium or discount, and any deferred fees or expenses, and net of an allowance for credit losses. Interest income and prepayment fees are recognized when earned. Interest income is recognized using an effective yield method giving effect to amortization of premiums and accretion of discounts. The allowance for credit losses for mortgage loans represents the Company's best estimate of expected credit losses over the remaining life of the loans and is determined using relevant available information from internal and external sources, relating to past events, current conditions, and a reasonable and supportable forecast.

Policy Loans

Policy loans are stated at unpaid principal balances. Interest income is recorded as earned using the contractual interest rate. Generally, accrued interest is capitalized on the policy's anniversary date. Any unpaid principal and accrued interest is deducted from the cash surrender value or the death benefit prior to settlement of the insurance policy.

Limited Partnerships and LLCs

The Company uses the equity method of accounting for investments when it has more than a minor ownership interest or more than a minor influence over the investee's operations; when the Company has virtually no influence over the investee's operations the investment is carried at estimated fair value. The Company generally recognizes its share of the equity method 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; while distributions on investments carried at estimated fair value are recognized as earned or received.

Short-term Investments

Short-term investments include securities and other investments with remaining maturities of one year or less, but greater than three months, at the time of purchase and are stated at estimated fair value or amortized cost, which approximates estimated fair value.

Other Invested Assets

Other invested assets consist principally of freestanding derivatives with positive estimated fair values which are described in "— Derivatives" below.

Securities Lending Program

Securities lending transactions whereby blocks of securities are loaned to third parties, primarily brokerage firms and commercial banks, are treated as financing arrangements and the associated liability is recorded at the amount of cash received. Income and expenses associated with securities lending transactions are reported as investment income and investment expense, respectively, within net investment income.

The Company obtains collateral at the inception of the loan, usually cash, in an amount generally equal to 102% of the estimated fair value of the securities loaned and maintains it at a level greater than or equal to 100% for the duration of the loan. The Company monitors the estimated fair value of the securities loaned on a daily basis and additional collateral is obtained as necessary throughout the duration of the loan. Securities loaned under such transactions may be sold or re-pledged by the transferee. The Company is liable to return to the counterparties the cash collateral received.

Derivatives

Freestanding Derivatives

Freestanding derivatives are carried on the Company's balance sheet either as assets within other invested assets or as liabilities within other liabilities at estimated fair value. The Company does not offset the estimated fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement.

If a derivative is not designated or did not qualify as an accounting hedge, changes in the estimated fair value of the derivative are reported in net derivative gains (losses).

The Company generally reports cash received or paid for a derivative in the investing activity section of the statement of cash flows except for cash flows of certain derivative options with deferred premiums, which are reported in the financing activity section of the statement of cash flows.

Hedge Accounting

The Company primarily designates derivatives as a hedge of a forecasted transaction or a variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). When a derivative is designated as a cash flow hedge and is determined to be highly effective, changes in fair value are recorded in OCI and subsequently reclassified into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item.

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge. In its hedge documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and at least quarterly throughout the life of the designated hedging relationship.

The Company discontinues hedge accounting prospectively when: (i) it is determined that the derivative is no longer highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item; (ii) the derivative or hedged item expires, is sold, terminated, or exercised; (iii) it is no longer probable that the hedged forecasted transaction will occur; or (iv) the derivative is de-designated as a hedging instrument.

When hedge accounting is discontinued the derivative is carried at its estimated fair value on the balance sheet, with changes in its estimated fair value recognized in the current period as net derivative gains (losses). The changes in estimated fair value of derivatives previously recorded in OCI related to discontinued cash flow hedges are released into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item. When the hedged item matures or is sold, or the forecasted transaction is not probable of occurring, the Company immediately reclassifies any remaining balances in OCI to net derivative gains (losses).

Embedded Derivatives

The Company has certain insurance and reinsurance contracts that contain embedded derivatives which are required to be separated from their host contracts and reported as derivatives. These host contracts include: variable annuities with guaranteed minimum benefits, including GMWBs, GMABs and certain GMIBs; index-linked annuities that are directly written or assumed through reinsurance; and ceded reinsurance of variable annuity GMIBs. Embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables on the consolidated balance sheets. Embedded derivatives within liability host contracts are presented within policyholder account balances on the consolidated balance sheets. Changes in the estimated fair value of the embedded derivative are reported in net derivative gains (losses).

See "— Variable Annuity Guarantees," "— Index-Linked Annuities" and "— Reinsurance" for additional information on the accounting policies for embedded derivatives bifurcated from variable annuity and reinsurance host contracts.

Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In most cases, the exit price and the transaction (or entry) price will be the same at initial recognition.

In determining the estimated fair value of the Company's investments, fair values are based on unadjusted quoted prices for identical investments in active markets that are readily and regularly obtainable. When such quoted prices are not available, fair values are based on quoted prices in markets that are not active, quoted prices for similar but not identical investments, or other observable inputs. If these inputs are not available, or observable inputs are not determinable, unobservable inputs and/or adjustments to observable inputs requiring management judgment are used to determine the estimated fair value of investments.

Separate Accounts

Separate accounts underlying the Company's variable life and annuity contracts are reported at fair value. Assets in separate accounts supporting the contract liabilities are legally insulated from the Company's general account liabilities. Investments in these separate accounts are directed by the contract holder and all investment performance, net of contract fees and assessments, is passed through to the contract holder. Investment performance and the corresponding amounts credited to contract holders of such separate accounts are offset within the same line on the statements of operations.

Separate accounts that do not pass all investment performance to the contract holder, including those underlying certain index-linked annuities, are combined on a line-by-line basis with the Company's general account assets, liabilities, revenues and expenses. The accounting for investments in these separate accounts is consistent with the methodologies described herein for similar financial instruments held within the general account.

The Company receives asset-based distribution and service fees from mutual funds available to the variable life and annuity contract holders as investment options in its separate accounts. These fees are recognized in the period in which the related services are performed and are included in other revenues on the statements of operations.

Income Tax

The Company's income tax provision was prepared following the modified separate return method. The modified separate return method applies the Accounting Standards Codification 740 — Income Taxes ("ASC 740") to the standalone financial statements of each member of the consolidated group as if the member were a separate taxpayer and a standalone enterprise, after providing benefits for losses. The Company's accounting for income taxes represents management's best estimate of various events and transactions. Current and deferred income taxes included herein and attributable to periods up until the Separation have been allocated to the Company in a manner that is systematic, rational and consistent with the asset and liability method prescribed by ASC 740.

Deferred tax assets and liabilities resulting from temporary differences between the financial reporting and tax bases of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse.

The realization of deferred tax assets depends upon the existence of sufficient taxable income within the carryback or carryforward periods under the tax law in the applicable tax jurisdiction. Valuation allowances are established when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. When making such determination, the Company considers many factors, including the jurisdiction in which the deferred tax asset was generated, the length of time that carryforward can be utilized in the various taxing jurisdictions, future taxable income exclusive of reversing temporary differences and carryforwards, future reversals of existing taxable temporary differences, taxable income in prior carryback years, tax planning strategies and the nature, frequency, and amount of cumulative financial reporting income and losses in recent years.

The Company may be required to change its provision for income taxes when estimates used in determining valuation allowances on deferred tax assets significantly change or when receipt of new information indicates the need for adjustment in valuation allowances. Additionally, the effect of changes in tax laws, tax regulations, or interpretations of such laws or regulations, is recognized in net income tax expense (benefit) in the period of change.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded on the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Unrecognized tax benefits due to tax uncertainties that do not meet the threshold are included within other liabilities and are charged to earnings in the period that such determination is made.

The Company classifies interest recognized as interest expense and penalties recognized as a component of income tax expense.

Litigation Contingencies

The Company is a party to a number of legal actions and may be involved in a number of regulatory investigations. Given the inherent unpredictability of these matters, it is difficult to estimate the impact on the Company’s financial position. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Legal costs are recognized as incurred. On a quarterly and annual basis, the Company reviews relevant information with respect to liabilities for litigation, regulatory investigations and litigation-related contingencies to be reflected on the Company’s financial statements.

Other Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid securities and other investments purchased with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at estimated fair value or amortized cost, which approximates estimated fair value.

Employee Benefit Plans

Brighthouse Services, LLC (“Brighthouse Services”), sponsors qualified and non-qualified defined contribution plans, and New England Life Insurance Company (“NELICO”) sponsors certain frozen defined benefit pension and postretirement plans. NELICO recognizes the funded status of each of its pension plans, measured as the difference between the fair value of plan assets and the benefit obligation, which is the projected benefit obligation (“PBO”) for pension benefits in other assets or other liabilities. Brighthouse Services and NELICO are both indirect wholly-owned subsidiaries.

Actuarial gains and losses result from differences between the actual experience and the assumed experience on plan assets or PBO during a particular period and are recorded in accumulated other comprehensive income (loss) (“AOCI”). To the extent such gains and losses exceed 10% of the greater of the PBO or the estimated fair value of plan assets, the excess is amortized into net periodic benefit costs over the average projected future lifetime of all plan participants or projected future working lifetime, as appropriate. Prior service costs (credit) are recognized in AOCI at the time of the amendment and then amortized into net periodic benefit costs over the average projected future lifetime of all plan participants or projected future working lifetime, as appropriate.

Net periodic benefit costs are determined using management estimates and actuarial assumptions; and are comprised of service cost, interest cost, expected return on plan assets, amortization of net actuarial (gains) losses, settlement and curtailment costs, and amortization of prior service costs (credit).

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 significant ASUs adopted as of December 31, 2021.

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 measurement, presentation and disclosure requirements for long-duration insurance contracts. A summary of the most significant changes is provided below:

(1) Guaranteed benefits associated with variable annuity and certain fixed annuity contracts will be classified and presented separately on the consolidated balance sheets as market risk benefits ("MRB"). MRBs will be measured at fair value through net income and reported separately on the consolidated statements of operations, except for instrument-specific credit risk changes, which will be recognized in OCI.

(2) Cash flow assumptions used to measure the liability for future policy benefits on traditional long-duration contracts (including term and non-participating whole life insurance and immediate annuities) will be updated on an annual basis using a retrospective method. The resulting remeasurement gain or loss will be reported separately on the consolidated statements of operations along with the remeasurement gain or loss on universal life-type contract liabilities.

(3) The discount rate assumption used to measure the liability for traditional long-duration contracts will be based on an upper-medium grade fixed income yield, updated quarterly, with changes recognized in OCI.

(4) DAC for all insurance products are required to be amortized on a constant-level basis over the expected term of the contracts, using amortization methods that are not a function of revenue or profit emergence. Changes in assumptions used to amortize DAC will be recognized as a revision to future amortization amounts.

(5) There will be a significant increase in required disclosures, including disaggregated rollforwards of insurance contract assets and liabilities supplemented by qualitative and quantitative information regarding the cash flows, assumptions, methods and judgements used to measure those balances.

The amendments to Topic 944 will be applied to the earliest period presented in the financial statements, making the transition date January 1, 2021. The MRB guidance is required to be applied on a retrospective basis, while the guidance for insurance liability assumption updates and DAC amortization will be applied to existing carrying amounts on the transition date.

The new guidance will have a significant impact to the Company's financial statements upon adoption, and will change the pattern and market sensitivity of the Company's earnings after the transition date. The most significant impact will be the requirement that all variable annuity guarantees are considered MRBs and measured at fair value, because a significant amount of variable annuity guarantees are classified as insurance liabilities under current guidance. The impacts to the financial statements at adoption are highly dependent on market conditions, especially interest rates. The Company is, therefore, unable to currently estimate the ultimate impact of the new guidance on the financial statements; however, at prevailing interest rate levels at the end of 2021, the Company expects the new guidance, upon adoption, would likely result in a material decrease in stockholders' equity.

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 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 ULSG, structured settlements, pension risk transfer contracts, certain company-owned life insurance policies and certain funding agreements.

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, activities related to funding agreements associated with the Company's institutional spread margin business, as well as direct-to-consumer life insurance that is no longer actively sold.

Financial Measures and Segment Accounting Policies

Adjusted earnings is a financial measure used by management to evaluate performance 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, which may be positive or negative, focuses on the Company's primary businesses by excluding the impact of market volatility, which could distort trends.

The following are significant items excluded from total revenues 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 GMIB fees ("GMIB Fees").

The following are significant items excluded from total expenses 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
- Amortization of DAC and VOBA related to: (i) net investment gains (losses), (ii) net derivative gains (losses) and (iii) GMIB Fees and GMIB Costs.

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

2. Segment Information (continued)

The segment accounting policies are the same as those used to prepare the Company's 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 ("RBC"). 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:

	Year Ended December 31, 2021				
	Annuities	Life	Run-off	Corporate & Other	Total
	(In millions)				
Pre-tax adjusted earnings	$ 1,796	$ 362	$ 244	$ (347)	$ 2,055
Provision for income tax expense (benefit)	347	75	53	(107)	368
Post-tax adjusted earnings	1,449	287	191	(240)	1,687
Less: Net income (loss) attributable to noncontrolling interests	—	—	—	5	5
Less: Preferred stock dividends	—	—	—	89	89
Adjusted earnings	$ 1,449	$ 287	$ 191	$ (334)	1,593
Adjustments for:					
Net investment gains (losses)					(59)
Net derivative gains (losses)					(2,469)
Other adjustments to net income (loss)					265
Provision for income tax (expense) benefit					473
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders					$ (197)
Interest revenue	$ 2,217	$ 673	$ 1,910	$ 102	
Interest expense	$ —	$ —	$ —	$ 163	

Brighthouse Financial, Inc.

Notes to the Consolidated Financial Statements (continued)

2. Segment Information (continued)

	Year Ended December 31, 2020				
	Annuities	Life	Run-off	Corporate & Other	Total
	(In millions)				
Pre-tax adjusted earnings	$ 1,433	$ 182	$ (1,655)	$ (332)	$ (372)
Provision for income tax expense (benefit)	266	34	(356)	(87)	(143)
Post-tax adjusted earnings	1,167	148	(1,299)	(245)	(229)
Less: Net income (loss) attributable to noncontrolling interests	—	—	—	5	5
Less: Preferred stock dividends	—	—	—	44	44
Adjusted earnings	$ 1,167	$ 148	$ (1,299)	$ (294)	(278)
Adjustments for:					
Net investment gains (losses)					278
Net derivative gains (losses)					(18)
Other adjustments to net income (loss)					(1,307)
Provision for income tax (expense) benefit					220
Net income (loss) available to Brighthouse Financial, Inc.’s common shareholders					$ (1,105)
Interest revenue	$ 1,820	$ 460	$ 1,269	$ 70	
Interest expense	$ —	$ —	$ —	$ 184	

	Year Ended December 31, 2019				
	Annuities	Life	Run-off	Corporate & Other	Total
	(In millions)				
Pre-tax adjusted earnings	$ 1,263	$ 288	$ (580)	$ (301)	$ 670
Provision for income tax expense (benefit)	235	57	(126)	(121)	45
Post-tax adjusted earnings	1,028	231	(454)	(180)	625
Less: Net income (loss) attributable to noncontrolling interests	—	—	—	5	5
Less: Preferred stock dividends	—	—	—	21	21
Adjusted earnings	$ 1,028	$ 231	$ (454)	$ (206)	599
Adjustments for:					
Net investment gains (losses)					112
Net derivative gains (losses)					(1,988)
Other adjustments to net income (loss)					154
Provision for income tax (expense) benefit					362
Net income (loss) available to Brighthouse Financial, Inc.’s common shareholders					$ (761)
Interest revenue	$ 1,809	$ 436	$ 1,265	$ 75	
Interest expense	$ —	$ —	$ —	$ 191	

2. Segment Information (continued)

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

	Years Ended December 31,		
	2021	2020	2019
	(In millions)		
Annuities	$ 5,216	$ 4,563	$ 4,648
Life	1,491	1,334	1,328
Run-off	2,557	1,938	2,009
Corporate & Other	181	156	176
Adjustments	(2,303)	512	(1,607)
Total	$ 7,142	$ 8,503	$ 6,554

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

	December 31,	
	2021	2020
	(In millions)	
Annuities	$ 178,700	$ 172,233
Life	24,514	23,809
Run-off	37,055	38,366
Corporate & Other	19,571	13,461
Total	$ 259,840	$ 247,869

Total premiums, universal life and investment-type product policy fees and other revenues by major product group were as follows:

	Years Ended December 31,		
	2021	2020	2019
	(In millions)		
Annuity products	$ 3,252	$ 3,010	$ 3,106
Life insurance products	1,527	1,619	1,709
Other products	10	13	36
Total	$ 4,789	$ 4,642	$ 4,851

Substantially all of the Company’s premiums, universal life and investment-type product policy fees and other revenues originated in the U.S.

Revenues derived from any individual customer did not exceed 10% of premiums, universal life and investment-type product policy fees and other revenues for the years ended December 31, 2021, 2020 and 2019.

3. Insurance

Insurance Liabilities

Insurance liabilities are comprised of future policy benefits, policyholder account balances and other policy-related balances included on the consolidated balance sheets.

Assumptions for Future Policyholder Benefits and Policyholder Account Balances

For term and non-participating whole life insurance, assumptions for mortality and persistency are based upon the Company's experience. Interest rate assumptions for the aggregate future policy benefit liabilities range from 3% to 9%. The liability for single premium immediate annuities is based on the present value of expected future payments using the Company's experience for mortality assumptions, with interest rate assumptions used in establishing such liabilities ranging from 0% to 8%.

Participating whole life insurance uses an interest assumption based upon non-forfeiture interest rate, ranging from 4% to 5%, and mortality rates guaranteed in calculating the cash surrender values described in such contracts, and also includes a liability for terminal dividends. Participating whole life insurance represented 3% of the Company's life insurance in-force at both December 31, 2021 and 2020, and 39%, 40% and 38% of gross traditional life insurance premiums for the years ended December 31, 2021, 2020 and 2019, respectively.

The liability for future policyholder benefits for long-term care insurance (included in Corporate & Other) includes assumptions for morbidity, withdrawals and interest. Interest rate assumptions used for establishing long-term care claim liabilities range from 3% to 6%. Claim reserves for long-term care insurance include best estimate assumptions for claim terminations, expenses and interest.

Policyholder account balances liabilities for fixed deferred annuities and universal life insurance have interest credited rates ranging from 1% to 7%.

Guarantees

The Company issues variable annuity contracts with guaranteed minimum benefits. GMDBs, the life contingent portion of GMWBs 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 7. The most significant assumptions for variable annuity guarantees included in future policyholder benefits are projected general account and separate account investment returns, and policyholder behavior including mortality, benefit election and utilization, and withdrawals.

The Company also has secondary guarantees on universal life insurance accounted for as insurance liabilities. The most significant assumptions used in estimating the secondary guarantee liabilities are general account rates of return, premium persistency, mortality and lapses, which are reviewed and updated at least annually.

See Note 1 for more information on guarantees accounted for as insurance liabilities.

3. Insurance (continued)

Information regarding the liabilities for guarantees (excluding policyholder account balances and embedded derivatives) relating to variable annuity contracts and universal and variable life insurance contracts was as follows:

	Variable Annuity Contracts		Universal and Variable Life Contracts	
	GMDBs	GMIBs	Secondary Guarantees	Total
			(In millions)	
Direct				
Balance at January 1, 2019	$ 1,567	$ 3,074	$ 4,716	$ 9,357
Incurred guaranteed benefits	143	163	874	1,180
Paid guaranteed benefits	(90)	—	—	(90)
Balance at December 31, 2019	1,620	3,237	5,590	10,447
Incurred guaranteed benefits	129	1,133	1,244	2,506
Paid guaranteed benefits	(103)	—	(169)	(272)
Balance at December 31, 2020	1,646	4,370	6,665	12,681
Incurred guaranteed benefits	295	(29)	688	954
Paid guaranteed benefits	(78)	—	(275)	(353)
Balance at December 31, 2021	$ 1,863	$ 4,341	$ 7,078	$ 13,282
Net Ceded/(Assumed)				
Balance at January 1, 2019	$ 11	$ —	$ 963	$ 974
Incurred guaranteed benefits	86	—	120	206
Paid guaranteed benefits	(88)	—	—	(88)
Balance at December 31, 2019	9	—	1,083	1,092
Incurred guaranteed benefits	96	—	102	198
Paid guaranteed benefits	(101)	—	(39)	(140)
Balance at December 31, 2020	4	—	1,146	1,150
Incurred guaranteed benefits	71	—	102	173
Paid guaranteed benefits	(76)	—	(39)	(115)
Balance at December 31, 2021	$ (1)	$ —	$ 1,209	$ 1,208
Net				
Balance at January 1, 2019	$ 1,556	$ 3,074	$ 3,753	$ 8,383
Incurred guaranteed benefits	57	163	754	974
Paid guaranteed benefits	(2)	—	—	(2)
Balance at December 31, 2019	1,611	3,237	4,507	9,355
Incurred guaranteed benefits	33	1,133	1,142	2,308
Paid guaranteed benefits	(2)	—	(130)	(132)
Balance at December 31, 2020	1,642	4,370	5,519	11,531
Incurred guaranteed benefits	224	(29)	586	781
Paid guaranteed benefits	(2)	—	(236)	(238)
Balance at December 31, 2021	$ 1,864	$ 4,341	$ 5,869	$ 12,074

3. Insurance (continued)

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

	December 31,			
	2021		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)	$ 109,968	$ 59,735	$ 108,424	$ 60,674
Separate account value	$ 105,023	$ 58,555	$ 103,315	$ 59,419
Net amount at risk	$ 6,361 (4)	$ 5,240 (5)	$ 6,438 (4)	$ 6,692 (5)
Average attained age of contract holders	71 years	70 years	70 years	70 years

	December 31,	
	2021	2020
	Secondary Guarantees	
	(Dollars in millions)	
Universal Life Contracts		
Total account value (3)	$ 5,518	$ 5,772
Net amount at risk (6)	$ 67,248	$ 69,083
Average attained age of policyholders	68 years	67 years
Variable Life Contracts		
Total account value (3)	$ 4,785	$ 3,926
Net amount at risk (6)	$ 18,857	$ 19,909
Average attained age of policyholders	52 years	51 years

(1) The Company's annuity contracts with guarantees may offer more than one type of guarantee in each contract. Therefore, the amounts listed above may not be mutually exclusive.

(2) Includes direct business, but excludes offsets from hedging or reinsurance, if any. Therefore, the net amount at risk presented reflects the economic exposures of living and death benefit guarantees associated with variable annuities, but not necessarily their impact on the Company. See Note 5 for a discussion of guaranteed minimum benefits which have been reinsured.

(3) Includes the contract holder's investments in the general account and separate account, if applicable.

(4) Defined as the death benefit less the total account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date and includes any additional contractual claims associated with riders purchased to assist with covering income taxes payable upon death.

(5) Defined as the amount (if any) that would be required to be added to the total account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. This amount represents the Company's potential economic exposure to such guarantees in the event all contract holders were to annuitize on the balance sheet date, even though the contracts contain terms that allow annuitization of the guaranteed amount only after the 10th anniversary of the contract, which not all contract holders have achieved.

(6) Defined as the guarantee amount less the account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date.

Account balances of contracts with guarantees were invested in separate account asset classes as follows at:

	December 31,	
	2021	2020
	(In millions)	
Fund Groupings:		
Balanced	$ 64,449	$ 64,736
Equity	34,894	32,811
Bond	9,297	9,105
Money Market	15	16
Total	$ 108,655	$ 106,668

Obligations Under Funding Agreements

Institutional Spread Margin Business

Brighthouse Life Insurance Company has issued unsecured fixed and floating rate funding agreements to certain special purpose entities that have issued either debt securities or commercial paper for which payment of interest and principal is secured by such funding agreements. The Company had obligations outstanding under these funding agreements of $4.7 billion and $0 at December 31, 2021 and 2020, respectively.

Brighthouse Life Insurance Company has a secured funding agreement program with the Federal Home Loan Bank ("FHLB") of Atlanta. The Company had obligations outstanding under this program of $900 million and $0 at December 31, 2021 and 2020, respectively. Funding agreements are issued to FHLBs in exchange for cash, for which the FHLBs have been granted liens on certain assets, some of which are in their custody to collateralize the Company's obligations under the funding agreements. The Company is permitted to withdraw any portion of the collateral in the custody of the FHLBs as long as there is no event of default and the remaining qualified collateral is sufficient to satisfy the collateral maintenance level. Upon any event of default by the Company, the FHLBs' recovery on the collateral is limited to the amount of the Company's liabilities to the FHLBs. See Note 6 for information on invested assets pledged as collateral in connection with funding agreements.

Brighthouse Life Insurance Company has a secured funding agreement program with the Federal Agricultural Mortgage Corporation and its affiliate Farmer Mac Mortgage Securities Corporation ("Farmer Mac"). The Company had obligations outstanding under this program of $125 million and $0 at December 31, 2021 and 2020, respectively. Funding agreements are issued to Farmer Mac in exchange for cash, for which Farmer Mac have been granted liens on certain assets to collateralize the Company's obligations under the funding agreements. Upon any event of default by the Company, Farmer Mac's recovery on the collateral is limited to the amount of the Company's liabilities to Farmer Mac. See Note 6 for information on invested assets pledged as collateral in connection with funding agreements.

Inactive Funding Agreement Programs

Brighthouse Life Insurance Company issued a floating rate funding agreement, which is denominated in foreign currency, to a special purpose entity that issued debt securities for which payment of interest and principal is secured by such funding agreement. The Company had an obligation outstanding under this funding agreement of $134 million and $144 million at December 31, 2021 and 2020, respectively. The remaining obligation at December 31, 2021 matures in June 2022.

Brighthouse Life Insurance Company had obligations with certain regional banks in the FHLB system outstanding under an inactive program of $500 million and $595 million at December 31, 2021 and 2020, respectively. The remaining obligation at December 31, 2021 matures in February 2025.

4. Deferred Policy Acquisition Costs, Value of Business Acquired and Deferred Sales Inducements

See Note 1 for a description of capitalized acquisition costs.

Information regarding DAC and VOBA was as follows:

	Years Ended December 31,		
	2021	2020	2019
		(In millions)	
DAC:			
Balance at January 1,	$ 4,407	$ 4,946	$ 5,149
Capitalizations	493	408	369
Amortization related to net investment gains (losses) and net derivative gains (losses)	61	95	204
All other amortization	(212)	(833)	(577)
Total amortization	(151)	(738)	(373)
Unrealized investment gains (losses)	98	(209)	(199)
Balance at December 31,	4,847	4,407	4,946
VOBA:			
Balance at January 1,	504	502	568
Amortization related to net investment gains (losses) and net derivative gains (losses)	—	—	(1)
All other amortization	7	(28)	(8)
Total amortization	7	(28)	(9)
Unrealized investment gains (losses)	19	30	(57)
Balance at December 31,	530	504	502
Total DAC and VOBA:			
Balance at December 31,	$ 5,377	$ 4,911	$ 5,448

The estimated future VOBA amortization expense to be reported in other expenses for the next five years is $73 million in 2022, $63 million in 2023, $54 million in 2024, $46 million in 2025 and $40 million in 2026.

Information regarding DSI was as follows:

	Years Ended December 31,		
	2021	2020	2019
		(In millions)	
DSI:			
Balance at January 1,	$ 310	$ 379	$ 410
Capitalization	1	2	2
Amortization	(4)	(71)	(38)
Unrealized investment gains (losses)	—	—	5
Balance at December 31,	$ 307	$ 310	$ 379

5. Reinsurance

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

Accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. The Company periodically reviews actual and anticipated experience compared to the aforementioned assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance and evaluates the financial strength of counterparties to its reinsurance agreements using criteria similar to that evaluated in the security impairment process discussed in Note 6.

5. Reinsurance (continued)

Annuities and Life

For annuities, the Company reinsures portions of the living and death benefit guarantees issued in connection with certain variable annuities to unaffiliated reinsurers. Under these reinsurance agreements, the Company pays a reinsurance premium generally based on fees associated with the guarantees collected from policyholders and receives reimbursement for benefits paid or accrued in excess of account values, subject to certain limitations. The value of embedded derivatives on the ceded risk is determined using a methodology consistent with the guarantees directly written by the Company with the exception of the input for nonperformance risk that reflects the credit of the reinsurer. The Company cedes certain fixed rate annuities to unaffiliated third-party reinsurers and assumes certain index-linked annuities from an unaffiliated third-party insurer. These reinsurance arrangements are structured on a coinsurance basis and are reported as deposit accounting.

For its life products, the Company has historically reinsured the mortality risk primarily on an excess of retention basis or on a quota share basis. In addition to reinsuring mortality risk as described above, the Company reinsures other risks, as well as specific coverages. Placement of reinsurance is done primarily on an automatic basis and also on a facultative basis for risks with specified characteristics. On a case-by-case basis, the Company may retain up to $20 million per life and reinsure 100% of amounts in excess of the amount the Company retains. The Company also reinsures 90% of the risk associated with participating whole life policies to a former affiliate and assumes certain term life policies and universal life policies with secondary death benefit guarantees issued by a former affiliate. The Company evaluates its reinsurance programs routinely and may increase or decrease its retention at any time.

Corporate & Other

The Company reinsures, through 100% quota share reinsurance agreements, certain run-off long-term care and workers' compensation business written by the Company. At December 31, 2021, the Company had $6.6 billion of reinsurance recoverables associated with its reinsured long-term care business. The reinsurer has established trust accounts for the Company's benefit to secure their obligations under the reinsurance agreements. Additionally, the Company is indemnified for losses and certain other payment obligations it might incur with respect to such reinsured long-term care insurance business.

Catastrophe Coverage

The Company has exposure to catastrophes which could contribute to significant fluctuations in the Company's results of operations. The Company uses excess of retention and quota share reinsurance agreements to provide greater diversification of risk and minimize exposure to larger risks.

Reinsurance Recoverables

The Company reinsures its business through a diversified group of primarily highly rated reinsurers. The Company analyzes recent trends in arbitration and litigation outcomes in disputes, if any, with its reinsurers and monitors ratings and the financial strength of its reinsurers. In addition, the reinsurance recoverable balance due from each reinsurer and the recoverability of such balance is evaluated as part of this overall monitoring process.

The Company generally secures large reinsurance recoverable balances with various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit. These reinsurance recoverable balances are stated net of allowances for uncollectible reinsurance, which at both December 31, 2021 and 2020, were not significant. The Company had $6.0 billion and $5.9 billion of unsecured reinsurance recoverable balances with third-party reinsurers at December 31, 2021 and 2020, respectively.

The Company records an allowance for credit losses which is a valuation account that reduces reinsurance recoverable balances to present the net amount expected to be collected from reinsurers. When assessing the creditworthiness of the Company's reinsurance recoverable balances, beyond the analysis of individual claims disputes, the Company considers the financial strength of its reinsurers using public ratings and ratings reports, current existing credit enhancements to reinsurance agreements and the statutory and GAAP financial statements of the reinsurers. Impairments are then determined based on probable and estimable defaults. At both December 31, 2021 and 2020, the Company had an allowance for credit losses of $10 million on its reinsurance recoverable balances.

5. Reinsurance (continued)

At December 31, 2021, the Company had $15.1 billion of net ceded reinsurance recoverables with third-party reinsurers. Of this total, $13.0 billion, or 86%, were with the Company's five largest ceded reinsurers, including $4.1 billion of net ceded reinsurance recoverables which were unsecured. At December 31, 2020, the Company had $15.1 billion of net ceded reinsurance recoverables with third-party reinsurers. Of this total, $12.9 billion, or 85%, were with the Company's five largest ceded reinsurers, including $4.0 billion of net ceded reinsurance recoverables which were unsecured.

The amounts on the consolidated statements of operations include the impact of reinsurance. Information regarding the significant effects of reinsurance was as follows:

	Years Ended December 31,		
	2021	2020	2019
	(In millions)		
Premiums			
Direct premiums	$ 1,440	$ 1,509	$ 1,651
Reinsurance assumed	(12)	10	10
Reinsurance ceded	(721)	(753)	(779)
Net premiums	$ 707	$ 766	$ 882
Universal life and investment-type product policy fees			
Direct universal life and investment-type product policy fees	$ 4,211	$ 4,022	$ 4,048
Reinsurance assumed	44	48	72
Reinsurance ceded	(619)	(607)	(540)
Net universal life and investment-type product policy fees	$ 3,636	$ 3,463	$ 3,580
Other revenues			
Direct other revenues	$ 373	$ 351	$ 366
Reinsurance assumed	4	16	1
Reinsurance ceded	69	46	22
Net other revenues	$ 446	$ 413	$ 389
Policyholder benefits and claims			
Direct policyholder benefits and claims	$ 4,984	$ 7,545	$ 5,441
Reinsurance assumed	100	103	36
Reinsurance ceded	(1,641)	(1,937)	(1,807)
Net policyholder benefits and claims	$ 3,443	$ 5,711	$ 3,670

The amounts on the consolidated balance sheets include the impact of reinsurance. Information regarding the significant effects of reinsurance was as follows at:

	December 31,							
	2021				2020			
	Direct	Assumed	Ceded	Total Balance Sheet	Direct	Assumed	Ceded	Total Balance Sheet
	(In millions)							
Assets								
Premiums, reinsurance and other receivables (net of allowance for credit losses)	$ 634	$ (9)	$ 15,469	$ 16,094	$ 728	$ 6	$ 15,424	$ 16,158
Liabilities								
Future policy benefits	$ 43,682	$ 125	$ —	$ 43,807	$ 44,329	$ 119	$ —	$ 44,448
Policyholder account balances	$ 63,163	$ 3,688	$ —	$ 66,851	$ 51,451	$ 3,057	$ —	$ 54,508
Other policy-related balances	$ 1,813	$ 1,644	$ —	$ 3,457	$ 1,723	$ 1,688	$ —	$ 3,411
Other liabilities	$ 3,245	$ 32	$ 1,227	$ 4,504	$ 3,832	$ 31	$ 1,148	$ 5,011

5. Reinsurance (continued)

Reinsurance agreements that do not expose the Company to a reasonable possibility of a significant loss from insurance risk are recorded using the deposit method of accounting. The deposit assets on reinsurance at both December 31, 2021 and 2020 were $3.2 billion. The deposit liabilities on reinsurance were $3.3 billion and $2.6 billion at December 31, 2021 and 2020, respectively.

6. Investments

See Note 8 for information about the fair value hierarchy for investments and the related valuation methodologies. In connection with the adoption of new guidance related to the credit losses, effective January 1, 2020, the Company updated its accounting policies on certain investments. Any accounting policy updates required by the new guidance are described in this footnote.

Fixed Maturity Securities Available-for-sale

Fixed Maturity Securities by Sector

Fixed maturity securities by sector were as follows at:

	December 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	$ 35,326	$ 2	$ 3,946	$ 189	$ 39,081	$ 32,608	$ 2	$ 5,370	$ 70	$ 37,906
Foreign corporate	10,916	7	906	109	11,706	10,060	—	1,501	50	11,511
U.S. government and agency	7,301	—	2,066	60	9,307	6,007	—	2,637	6	8,638
RMBS	8,878	—	432	51	9,259	7,653	—	644	3	8,294
CMBS	6,976	2	333	25	7,282	6,207	—	592	9	6,790
State and political subdivision	3,995	—	846	6	4,835	3,673	—	967	—	4,640
ABS	4,261	—	33	14	4,280	2,834	—	60	10	2,884
Foreign government	1,593	—	244	5	1,832	1,487	—	346	1	1,832
Total fixed maturity securities	$ 79,246	$ 11	$ 8,806	$ 459	$ 87,582	$ 70,529	$ 2	$ 12,117	$ 149	$ 82,495

The Company held non-income producing fixed maturity securities with an estimated fair value of $3 million and $5 million at December 31, 2021 and 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 December 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	Total Fixed Maturity Securities
	(In millions)					
Amortized cost	$ 947	$ 10,060	$ 16,916	$ 31,208	$ 20,115	$ 79,246
Estimated fair value	$ 960	$ 10,443	$ 17,893	$ 37,465	$ 20,821	$ 87,582

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.

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:

	December 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	$ 5,131	$ 113	$ 888	$ 76	$ 1,737	$ 57	$ 185	$ 13
Foreign corporate	2,044	62	326	47	254	8	387	42
U.S. government and agency	1,716	40	222	20	236	6	—	—
RMBS	3,488	51	32	—	180	2	22	1
CMBS	1,401	21	95	4	332	7	44	2
State and political subdivision	356	6	7	—	48	—	—	—
ABS	2,459	13	93	1	506	3	629	7
Foreign government	278	4	18	1	54	1	—	—
Total fixed maturity securities	$ 16,873	$ 310	$ 1,681	$ 149	$ 3,347	$ 84	$ 1,267	$ 65
Total number of securities in an unrealized loss position	2,454		369		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 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 $534 million and $514 million at December 31, 2021 and 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 $11 million, relating to eight securities at December 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	CMBS	Foreign Corporate	Total
	(In millions)			
Balance at January 1, 2020	$ 3	$ —	$ 1	$ 4
Allowance on securities where credit losses were not previously recorded	3	—	1	4
Reductions for securities sold	(1)	—	—	(1)
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 at December 31, 2020	2	—	—	2
Allowance on securities where credit losses were not previously recorded	2	2	7	11
Reductions for securities sold	(2)	—	—	(2)
Change in allowance on securities with an allowance recorded in a previous period	—	—	—	—
Write-offs charged against allowance (1)	—	—	—	—
Balance at December 31, 2021	$ 2	$ 2	$ 7	$ 11

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(1) The Company recorded total write-offs of $5 million and $13 million for the years ended December 31, 2021 and 2020, respectively.

6. Investments (continued)

Mortgage Loans

Mortgage Loans by Portfolio Segment

Mortgage loans are summarized as follows at:

	December 31,			
	2021		2020	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Commercial	$ 12,187	61.4 %	$ 9,714	61.4 %
Agricultural	4,163	21.0	3,538	22.4
Residential	3,623	18.2	2,650	16.8
Total mortgage loans (1)	19,973	100.6	15,902	100.6
Allowance for credit losses	(123)	(0.6)	(94)	(0.6)
Total mortgage loans, net	$ 19,850	100.0 %	$ 15,808	100.0 %

(1) Purchases of mortgage loans from third parties were $2.1 billion and $815 million for the years ended December 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 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 December 31, 2021 and 2020. The accrued interest receivable on mortgage loans is included in accrued investment income and totaled $95 million and $89 million at December 31, 2021 and 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.

6. 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)			
Balance at December 31, 2019	$ 47	$ 10	$ 7	$ 64
Cumulative effect of change in accounting principle	(20)	7	15	2
Balance at January 1, 2020	27	17	22	66
Current period provision	17	(2)	13	28
Balance at December 31, 2020	44	15	35	94
Current period provision	23	(3)	7	27
PCD credit allowance	—	—	2	2
Balance at December 31, 2021	$ 67	$ 12	$ 44	$ 123

PCD Mortgage Loans

Purchases of PCD mortgage loans are summarized as follows:

	December 31,	
	2021	2020
	(In millions)	
Purchase price	$ 462	$ 159
Allowance at acquisition date	2	3
Discount or premium attributable to other factors	(29)	(2)
Par value	$ 435	$ 160

6. Investments (continued)

Credit Quality of Mortgage Loans by Portfolio Segment

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

	2021	2020	2019	2018	2017	Prior	Total
				(In millions)			
December 31, 2021							
Commercial mortgage loans							
Loan-to-value ratios:							
Less than 65%	$ 2,771	$ 437	$ 1,539	$ 986	$ 554	$ 3,303	$ 9,590
65% to 75%	633	92	383	406	128	481	2,123
76% to 80%	—	—	55	29	59	31	174
Greater than 80%	—	—	—	30	—	270	300
Total commercial mortgage loans	3,404	529	1,977	1,451	741	4,085	12,187
Agricultural mortgage loans							
Loan-to-value ratios:							
Less than 65%	1,150	541	510	674	292	633	3,800
65% to 75%	114	77	61	26	33	52	363
Total agricultural mortgage loans	1,264	618	571	700	325	685	4,163
Residential mortgage loans							
Performing	1,124	202	270	230	132	1,606	3,564
Nonperforming	1	—	3	3	1	51	59
Total residential mortgage loans	1,125	202	273	233	133	1,657	3,623
Total	$ 5,793	$ 1,349	$ 2,821	$ 2,384	$ 1,199	$ 6,427	$ 19,973

	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

6. 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:

	December 31,			
	2021		2020	
	Amortized Cost	% of Total	Amortized Cost	% of Total
	(Dollars in millions)			
Debt-service coverage ratios:				
Greater than 1.20x	$ 10,289	84.4 %	$ 9,450	97.3 %
1.00x - 1.20x	596	4.9	204	2.1
Less than 1.00x	1,302	10.7	60	0.6
Total	$ 12,187	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.

Past Due Mortgage Loans by Portfolio Segment

The Company has a high-quality, well-performing mortgage loan portfolio, with over 99% of all mortgage loans classified as performing at both December 31, 2021 and 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 December 31, 2021 and 2020, $30 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:

	December 31,							
	2021				2020			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Current	$ 12,187	$ 4,163	$ 3,550	$ 19,900	$ 9,714	$ 3,538	$ 2,575	$ 15,827
30-59 days past due	—	—	14	14	—	—	9	9
60-89 days past due	—	—	14	14	—	—	24	24
90-179 days past due	—	—	29	29	—	—	27	27
180+ days past due	—	—	16	16	—	—	15	15
Total	$ 12,187	$ 4,163	$ 3,623	$ 19,973	$ 9,714	$ 3,538	$ 2,650	$ 15,902

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 December 31, 2021 and 2020, $30 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)			
December 31, 2021	$ —	$ —	$ 59	$ 59
December 31, 2020	$ —	$ —	$ 66	$ 66

(1) The Company had $0 and $7 million of residential mortgage loans in nonaccrual status for which there was no related allowance for credit losses for the years ended December 31, 2021 and 2020, respectively.

Current period investment income on mortgage loans in nonaccrual status was $1 million and $2 million for the years ended December 31, 2021 and 2020, respectively.

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 TDR during both the years ended December 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 7 for information about freestanding derivatives with positive estimated fair values. Other invested assets also includes FHLB stock, tax credit and renewable energy partnerships and leveraged leases.

Leveraged Leases

The carrying value of leveraged leases was $49 million and $50 million at December 31, 2021 and 2020, respectively. The allowance for credit losses was $13 million, at both December 31, 2021 and 2020. Rental receivables are generally due in periodic installments. The payment periods for leveraged leases generally range from one to 11 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 December 31, 2021 and 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, 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 AOCI.

6. Investments (continued)

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

	Years Ended December 31,		
	2021	2020	2019
	(In millions)		
Fixed maturity securities	$ 8,347	$ 11,968	$ 6,957
Derivatives	329	173	245
Other	(29)	(16)	(13)
Subtotal	8,647	12,125	7,189
Amounts allocated from:			
Future policy benefits	(2,903)	(4,313)	(2,692)
DAC, VOBA and DSI	(403)	(520)	(341)
Subtotal	(3,306)	(4,833)	(3,033)
Deferred income tax benefit (expense)	(1,121)	(1,531)	(873)
Net unrealized investment gains (losses)	$ 4,220	$ 5,761	$ 3,283

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

	Years Ended December 31,		
	2021	2020	2019
	(In millions)		
Balance at January 1,	$ 5,761	$ 3,283	$ 763
Unrealized investment gains (losses) during the year	(3,478)	4,936	5,247
Unrealized investment gains (losses) relating to:			
Future policy benefits	1,410	(1,621)	(1,806)
DAC, VOBA and DSI	117	(179)	(251)
Deferred income tax benefit (expense)	410	(658)	(670)
Balance at December 31,	$ 4,220	$ 5,761	$ 3,283
Change in net unrealized investment gains (losses)	$ (1,541)	$ 2,478	$ 2,520

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 December 31, 2021 and 2020.

Securities Lending

Elements of the securities lending program are presented below at:

	December 31,	
	2021	2020
	(In millions)	
Securities on loan: (1)		
Amortized cost	$ 3,573	$ 2,373
Estimated fair value	$ 4,539	$ 3,603
Cash collateral received from counterparties (2)	$ 4,611	$ 3,674
Securities collateral received from counterparties (3)	$ 2	$ —
Reinvestment portfolio — estimated fair value	$ 4,730	$ 3,830

(1) Included within fixed maturity securities.

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

6. Investments (continued)

(3) Securities collateral received from counterparties may not be sold or re-pledged, unless the counterparty is in default, and is not reported on the consolidated financial statements.

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

	December 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	$ 1,094	$ 2,125	$ 1,391	$ 4,610	$ 937	$ 2,300	$ 437	$ 3,674
U.S. corporate	1	—	—	1	—	—	—	—
Total	$ 1,095	$ 2,125	$ 1,391	$ 4,611	$ 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 December 31, 2021 was $1.1 billion, 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, non-agency RMBS and CMBS) with 52% invested in agency RMBS, U.S. government and agency securities and short-term investments at December 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:

	December 31,	
	2021	2020
	(In millions)	
Invested assets on deposit (regulatory deposits) (1)	$ 10,000	$ 10,135
Invested assets held in trust (reinsurance agreements) (2)	6,029	5,717
Invested assets pledged as collateral (3)	5,116	5,595
Total invested assets on deposit, held in trust and pledged as collateral	$ 21,145	$ 21,447

(1) The Company has assets, primarily fixed maturity securities, on deposit with governmental authorities relating to certain policyholder liabilities, of which $25 million and $60 million of the assets on deposit represents restricted cash and cash equivalents at December 31, 2021 and 2020, respectively.

(2) The Company has assets, primarily fixed maturity securities, held in trust relating to certain reinsurance transactions, of which $119 million and $101 million of the assets held in trust balance represents restricted cash and cash equivalents at December 31, 2021 and 2020, respectively.

(3) The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements (see Note 3) and derivative transactions (see Note 7).

See "— Securities Lending" for information regarding securities on loan. In addition, the Company's investment in FHLB common stock, which is considered restricted until redeemed by the issuer, was $70 million and $39 million at redemption value at December 31, 2021 and 2020, respectively.

6. Investments (continued)

Collectively Significant Equity Method Investments

The Company holds investments in limited partnerships and LLCs consisting of leveraged buy-out funds, private equity funds, joint ventures and other funds. The portion of these investments accounted for under the equity method had a carrying value of $4.3 billion at December 31, 2021. The Company's maximum exposure to loss related to these equity method investments is the carrying value of these investments plus unfunded commitments of $1.7 billion at December 31, 2021. The Company's investments in limited partnerships and LLCs are generally of a passive nature in that the Company does not participate in the management of the entities.

As described in Note 1, the Company generally records its share of earnings in its equity method investments using a three-month lag methodology and within net investment income. Aggregate net investment income from these equity method investments exceeded 10% of the Company's consolidated pre-tax income (loss) for each of the years ended December 31, 2021, 2020 and 2019. This aggregated summarized financial data does not represent the Company's proportionate share of the assets, liabilities or earnings of such entities.

The aggregated summarized financial data presented below reflects the latest available financial information and is as of and for the years ended December 31, 2021, 2020 and 2019. Aggregate total assets of these entities totaled $811.9 billion and $504.0 billion at December 31, 2021 and 2020, respectively. Aggregate total liabilities of these entities totaled $103.2 billion and $63.0 billion at December 31, 2021 and 2020, respectively. Aggregate net income (loss) of these entities totaled $22.6 billion, $37.7 billion and $33.3 billion for the years ended December 31, 2021, 2020 and 2019, respectively. Aggregate net income (loss) from the underlying entities in which the Company invests is primarily comprised of investment income, including recurring investment income and realized and unrealized investment gains (losses).

Variable Interest Entities

A variable interest entity ("VIE") is a legal entity that does not have sufficient equity at risk to finance its activities or is structured such that equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights or do not substantively participate in the gains and losses of the entity.

The Company enters into various arrangements with VIEs in the normal course of business and has invested in legal entities that are VIEs. VIEs are consolidated when it is determined that the Company is the primary beneficiary. A primary beneficiary is the variable interest holder in a VIE with both (i) the power to 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. In addition, the evaluation of whether a legal entity is a VIE and if the Company is a primary beneficiary includes a review of the capital structure of the VIE, the related contractual relationships and terms, the nature of the operations and purpose of the VIE, the nature of the VIE interests issued and the Company's involvement with the entity.

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

	December 31,			
	2021		2020	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
	(In millions)			
Fixed maturity securities	$ 16,472	$ 15,802	$ 13,665	$ 12,581
Limited partnerships and LLCs	3,679	5,115	2,319	3,578
Total	$ 20,151	$ 20,917	$ 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, 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 15.

Net Investment Income

The components of net investment income were as follows:

	Years Ended December 31,		
	2021	2020	2019
		(In millions)	
Investment income:			
Fixed maturity securities	$ 2,832	$ 2,700	$ 2,673
Equity securities	5	6	8
Mortgage loans	689	666	680
Policy loans	65	56	67
Limited partnerships and LLCs (1)	1,391	240	220
Cash, cash equivalents and short-term investments	5	49	93
Other	44	54	41
Total investment income	5,031	3,771	3,782
Less: Investment expenses	150	170	203
Net investment income	$ 4,881	$ 3,601	$ 3,579

(1) Includes net investment income pertaining to other limited partnership interests of $1.3 billion, $225 million and $181 million for the years ended December 31, 2021, 2020 and 2019, respectively.

6. Investments (continued)

Net Investment Gains (Losses)

Components of Net Investment Gains (Losses)

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

	Years Ended December 31,		
	2021	2020	2019
	(In millions)		
Fixed maturity securities	$ (21)	$ 297	$ 106
Equity securities	—	—	17
Mortgage loans	(27)	(27)	(10)
Limited partnerships and LLCs	—	(3)	7
Other	(11)	11	(8)
Total net investment gains (losses)	$ (59)	$ 278	$ 112

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:

	Years Ended December 31,		
	2021	2020	2019
	(In millions)		
Proceeds	$ 6,329	$ 3,218	$ 9,259
Gross investment gains	$ 99	$ 390	$ 257
Gross investment losses	(103)	(78)	(151)
Net investment gains (losses)	$ (4)	$ 312	$ 106

7. Derivatives

Accounting for Derivatives

See Note 1 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

The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to minimize its exposure to various market risks, including interest rate, foreign currency exchange rate, credit and equity market.

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").

Interest Rate Derivatives

Interest rate swaps: The Company uses interest rate swaps to manage the collective interest rate risks primarily in variable annuity products and ULSG. Interest rate swaps are used in non-qualifying hedging relationships.

Interest rate caps: The Company uses interest rate caps to protect its floating rate liabilities against rises in interest rates above a specified level, and against interest rate exposure arising from mismatches between assets and liabilities. Interest rate caps are used in non-qualifying hedging relationships.

Interest rate swaptions: The Company uses interest rate swaptions to manage the collective interest rate risks primarily in variable annuity products and ULSG. Interest rate swaptions are used in non-qualifying hedging relationships. Interest rate swaptions are included in interest rate options.

Interest rate forwards: The Company uses interest rate forwards to manage the collective interest rate risks primarily in variable annuity products and ULSG. Interest rate forwards are used in cash flow and non-qualifying hedging relationships.

Foreign Currency Exchange Rate Derivatives

Foreign currency swaps: The Company uses foreign currency swaps to convert foreign currency denominated cash flows to U.S. dollars to reduce cash flow fluctuations due to changes in currency exchange rates. Foreign currency swaps are used in cash flow and non-qualifying hedging relationships.

Foreign currency forwards: The Company uses foreign currency forwards to hedge currency exposure on its invested assets. Foreign currency forwards are used in non-qualifying hedging relationships.

Credit Derivatives

Credit default swaps: The Company uses credit default swaps to create synthetic credit investments to replicate credit exposure that is more economically attractive than what is available in the market or otherwise unavailable (written credit protection), or to reduce credit loss exposure on certain assets that the Company owns (purchased credit protection). Credit default swaps are used in non-qualifying hedging relationships.

Credit default swaptions: The Company uses credit default swaptions to synthetically create investments that are either more expensive to acquire or otherwise unavailable in the cash markets. Swaptions are used to create callable bonds from replication synthetic asset transaction (“RSAT”) positions. This enhances the income of the RSAT program through earned premiums while not changing the credit profile of the RSATs. Credit default swaptions are used in non-qualifying hedging relationships.

Equity Market Derivatives

Equity index options: The Company uses equity index options primarily to hedge minimum guarantees embedded in certain variable annuity products against adverse changes in equity markets. Additionally, the Company uses equity index options to hedge index-linked annuity products and certain invested assets against adverse changes in equity markets. Certain of these contracts may also contain settlement provisions linked to interest rates (“hybrid options”). Equity index options are used in non-qualifying hedging relationships.

Equity total return swaps: The Company uses equity total return swaps to hedge minimum guarantees embedded in certain variable annuity products against adverse changes in equity markets. Additionally, the Company uses equity total return swaps to hedge index-linked annuity products against adverse changes in equity markets. Equity total return swaps are used in non-qualifying hedging relationships.

Equity variance swaps: The Company uses equity variance swaps to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. Equity variance swaps are used in non-qualifying hedging relationships.

7. 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:

		December 31,					
		2021			2020		
			Estimated Fair Value			Estimated Fair Value	
	Primary Underlying Risk Exposure	Gross Notional Amount	Assets	Liabilities	Gross Notional Amount	Assets	Liabilities
		(In millions)					
Derivatives Designated as Hedging Instruments:							
Cash flow hedges:							
Interest rate forwards	Interest rate	$ 180	$ 30	$ —	$ 290	$ 66	$ —
Foreign currency swaps	Foreign currency exchange rate	3,282	229	22	2,812	134	112
Total qualifying hedges		3,462	259	22	3,102	200	112
Derivatives Not Designated or Not Qualifying as Hedging Instruments:							
Interest rate swaps	Interest rate	2,595	325	17	2,295	463	—
Interest rate caps	Interest rate	5,100	29	4	2,350	2	—
Interest rate options	Interest rate	8,050	83	—	25,980	712	122
Interest rate forwards	Interest rate	9,808	627	109	8,086	851	78
Foreign currency swaps	Foreign currency exchange rate	967	96	21	1,000	86	32
Foreign currency forwards	Foreign currency exchange rate	483	3	4	201	—	—
Credit default swaps — purchased	Credit	—	—	—	18	—	—
Credit default swaps — written	Credit	1,724	39	1	1,755	41	—
Credit default swaptions	Credit	150	—	—	100	—	—
Equity index options	Equity market	24,692	1,155	877	30,976	1,071	838
Equity variance swaps	Equity market	281	9	1	1,098	13	20
Equity total return swaps	Equity market	32,719	493	588	15,056	143	822
Hybrid options	Equity market	900	8	—	600	—	—
Total non-designated or non-qualifying derivatives		87,469	2,867	1,622	89,515	3,382	1,912
Embedded derivatives:							
Ceded guaranteed minimum income benefits	Other	N/A	186	—	N/A	283	—
Direct index-linked annuities	Other	N/A	—	6,211	N/A	—	3,855
Direct guaranteed minimum benefits	Other	N/A	—	1,848	N/A	—	2,920
Assumed index-linked annuities	Other	N/A	—	437	N/A	—	382
Total embedded derivatives		N/A	186	8,496	N/A	283	7,157
Total		$ 90,931	$ 3,312	$ 10,140	$ 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 December 31, 2021 and 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 Accounting Standards Codification 815 — Derivatives and Hedging; (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.

7. 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:

	Year Ended December 31, 2021			
	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)			
Derivatives Designated as Hedging Instruments:				
Cash flow hedges:				
Interest rate derivatives	$ 2	$ —	$ 3	$ (20)
Foreign currency exchange rate derivatives	10	(4)	36	191
Total cash flow hedges	12	(4)	39	171
Derivatives Not Designated or Not Qualifying as Hedging Instruments:				
Interest rate derivatives	(717)	—	—	—
Foreign currency exchange rate derivatives	57	(7)	—	—
Credit derivatives	17	—	—	—
Equity market derivatives	(486)	—	—	—
Embedded derivatives	(1,341)	—	—	—
Total non-qualifying hedges	(2,470)	(7)	—	—
Total	$ (2,458)	$ (11)	$ 39	$ 171

	Year Ended December 31, 2020			
	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)			
Derivatives Designated as Hedging Instruments:				
Cash flow hedges:				
Interest rate derivatives	$ 2	$ —	$ 3	$ 77
Foreign currency exchange rate derivatives	15	(7)	37	(129)
Total cash flow hedges	17	(7)	40	(52)
Derivatives Not Designated or Not Qualifying as Hedging Instruments:				
Interest rate derivatives	3,565	—	—	—
Foreign currency exchange rate derivatives	(16)	(7)	—	—
Credit derivatives	18	—	—	—
Equity market derivatives	(1,367)	—	—	—
Embedded derivatives	(2,221)	—	—	—
Total non-qualifying hedges	(21)	(7)	—	—
Total	$ (4)	$ (14)	$ 40	$ (52)

7. Derivatives (continued)

	Year Ended December 31, 2019			
	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)			
Derivatives Designated as Hedging Instruments:				
Cash flow hedges:				
Interest rate derivatives	$ 32	$ —	$ 2	$ 25
Foreign currency exchange rate derivatives	25	(29)	34	15
Total cash flow hedges	57	(29)	36	40
Derivatives Not Designated or Not Qualifying as Hedging Instruments:				
Interest rate derivatives	1,589	—	—	—
Foreign currency exchange rate derivatives	22	(3)	—	—
Credit derivatives	44	—	—	—
Equity market derivatives	(2,476)	—	—	—
Embedded derivatives	(1,192)	—	—	—
Total non-qualifying hedges	(2,013)	(3)	—	—
Total	$ (1,956)	$ (32)	$ 36	$ 40

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

At December 31, 2021 and 2020, the balance in AOCI associated with cash flow hedges was $329 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.

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

	December 31,					
	2021			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	$ 589	2.4	$ 15	$ 683	2.9
Baa	27	1,131	5.0	26	1,072	5.2
Caa and Lower	(1)	4	4.0	—	—	0.0
Total	$ 38	$ 1,724	4.1	$ 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.

7. Derivatives (continued)

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 8 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)					
December 31, 2021						
Derivative assets	$ 3,128	$ (1,155)	$ (1,494)	$ 479	$ (413)	$ 66
Derivative liabilities	$ 1,632	$ (1,155)	$ —	$ 477	$ (477)	$ —
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.

(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:

	December 31,	
	2021	2020
	(In millions)	
Estimated fair value of derivatives in a net liability position (1)	$ 477	$ 668
Estimated Fair Value of Collateral Provided (2):		
Fixed maturity securities	$ 839	$ 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.

8. Fair Value

When developing estimated fair values, the Company considers three broad valuation techniques: (i) the market approach, (ii) the income approach, and (iii) the cost approach. The Company determines the most appropriate valuation technique to use, given what is being measured and the availability of sufficient inputs, giving priority to observable inputs. The Company categorizes its assets and liabilities measured at estimated fair value into a three level hierarchy, based on the significant input with the lowest level in its valuation. The input levels are as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities. The Company defines active markets based on average trading volume for equity securities. The size of the bid/ask spread is used as an indicator of market activity for fixed maturity securities.
Level 2	Quoted prices in markets that are not active or inputs that are observable either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities other than quoted prices in Level 1, quoted prices in markets that are not active, or other significant inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and are significant to the determination of estimated fair value of the assets or liabilities. Unobservable inputs reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing the asset or liability.

8. Fair Value (continued)

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.

	December 31, 2021			
	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$ —	$ 38,176	$ 905	$ 39,081
Foreign corporate	—	11,212	494	11,706
U.S. government and agency	3,236	6,071	—	9,307
RMBS	—	9,247	12	9,259
CMBS	—	7,239	43	7,282
State and political subdivision	—	4,835	—	4,835
ABS	—	4,115	165	4,280
Foreign government	—	1,806	26	1,832
Total fixed maturity securities	3,236	82,701	1,645	87,582
Equity securities	27	61	13	101
Short-term investments	1,503	336	2	1,841
Derivative assets: (1)				
Interest rate	—	1,094	—	1,094
Foreign currency exchange rate	—	318	10	328
Credit	—	27	12	39
Equity market	—	1,649	16	1,665
Total derivative assets	—	3,088	38	3,126
Embedded derivatives within asset host contracts (2)	—	—	186	186
Separate account assets	41	114,423	—	114,464
Total assets	$ 4,807	$ 200,609	$ 1,884	$ 207,300
Liabilities				
Derivative liabilities: (1)				
Interest rate	$ —	$ 130	$ —	$ 130
Foreign currency exchange rate	—	47	—	47
Credit	—	—	1	1
Equity market	—	1,465	1	1,466
Total derivative liabilities	—	1,642	2	1,644
Embedded derivatives within liability host contracts (2)	—	—	8,496	8,496
Total liabilities	$ —	$ 1,642	$ 8,498	$ 10,140

8. Fair Value (continued)

	December 31, 2020			
	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(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 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 year ended December 31, 2021.

Determination of Fair Value

Fixed Maturity Securities

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

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

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

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

Equity Securities and Short-term Investments

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

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

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

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

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

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

Embedded Derivatives

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

The Company issues certain variable annuity products with guaranteed minimum benefits. GMABs, 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 markets 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 markets 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 markets 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 markets 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:

			December 31, 2021			December 31, 2020			Impact of Increase in Input on Estimated Fair Value
	Valuation Techniques	Significant Unobservable Inputs	Range			Range			
Embedded derivatives									
Direct, assumed and ceded guaranteed minimum benefits	• Option pricing techniques	• Mortality rates	0.03%	-	12.62%	0.03%	-	12.13%	Decrease (1)
		• Lapse rates	0.30%	-	14.50%	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	16.44%	-	22.16%	16.66%	-	22.21%	Increase (5)
		• Nonperformance risk spread	(0.38)%	-	1.49%	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.

8. Fair Value (continued)

(2) The range shown reflects base lapse rates for major product categories for duration 1-20, which represents majority of business with living benefit riders. Base lapse rates are adjusted at the contract level based on a comparison of the actuarially calculated guaranteed values and the current policyholder account value, as well as other factors, such as the applicability of any surrender charges. A dynamic lapse function reduces the base lapse rate when the guaranteed amount is greater than the account value as in-the-money contracts are less likely to lapse. Lapse rates are also generally assumed to be lower in periods when a surrender charge applies.

(3) The utilization rate assumption estimates the percentage of contract holders with a GMIB or lifetime withdrawal benefit who will elect to utilize the benefit upon becoming eligible in a given year. The range shown represents the floor and cap of the GMIB dynamic election rates across varying levels of in-the-money. For lifetime withdrawal guarantee riders, the assumption is that everyone will begin withdrawals once account value reaches zero which is equivalent to a 100% utilization rate. Utilization rates may vary by the type of guarantee, the amount by which the guaranteed amount is greater than the account value, the contract's withdrawal history and by the age of the policyholder.

(4) The withdrawal rate represents the percentage of account balance that any given policyholder will elect to withdraw from the contract each year. The withdrawal rate assumption varies by age and duration of the contract, and also by other factors such as benefit type. For any given contract, withdrawal rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative. For GMWBs, any increase (decrease) in withdrawal rates results in an increase (decrease) in the estimated fair value of the guarantees. For GMABs and GMIBs, any increase (decrease) in withdrawal rates results in a decrease (increase) in the estimated fair value.

(5) Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available. For any given contract, long-term equity volatility rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

(6) Nonperformance risk spread varies by duration. For any given contract, multiple nonperformance risk spreads will apply, depending on the duration of the cash flow being discounted for purposes of valuing the embedded derivative.

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

8. Fair Value (continued)

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Fixed Maturity Securities								
	Corporate (1)	Structured Securities	State and Political Subdivision	Foreign Government	Equity Securities	Short-term Investments	Net Derivatives (2)	Net Embedded Derivatives (3)	Separate Account Assets (4)
	(In millions)								
Balance, January 1, 2020	$ 461	$ 117	$ 73	$ —	$ 8	$ 5	$ 16	$ (4,031)	$ 3
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	(6)	—	—	—	—	—	9	(2,221)	—
Total realized/unrealized gains (losses) included in AOCI	(3)	1	—	—	—	—	(9)	—	—
Purchases (7)	409	58	—	—	—	—	—	—	—
Sales (7)	(117)	(5)	—	—	—	(5)	(14)	—	—
Issuances (7)	—	—	—	—	—	—	—	—	—
Settlements (7)	—	—	—	—	—	—	—	(622)	—
Transfers into Level 3 (8)	186	11	—	—	—	—	—	—	—
Transfers out of Level 3 (8)	(242)	(115)	(73)	—	(5)	—	—	—	—
Balance, December 31, 2020	688	67	—	—	3	—	2	(6,874)	3
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	(1)	—	—	—	—	—	1	(1,341)	—
Total realized/unrealized gains (losses) included in AOCI	(7)	—	—	—	—	—	12	—	—
Purchases (7)	951	202	—	26	10	2	20	—	—
Sales (7)	(53)	(12)	—	—	—	—	—	—	—
Issuances (7)	—	—	—	—	—	—	—	—	—
Settlements (7)	—	—	—	—	—	—	—	(95)	—
Transfers into Level 3 (8)	52	—	—	—	—	—	—	—	—
Transfers out of Level 3 (8)	(231)	(37)	—	—	—	—	1	—	(3)
Balance, December 31, 2021	$ 1,399	$ 220	$ —	$ 26	$ 13	$ 2	$ 36	$ (8,310)	$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2019 (9)	$ —	$ —	$ 1	$ —	$ —	$ —	$ (10)	$ (1,450)	$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2020 (9)	$ (5)	$ —	$ —	$ —	$ —	$ —	$ (4)	$ (2,297)	$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2021 (9)	$ (2)	$ —	$ —	$ —	$ —	$ —	$ (11)	$ (874)	$ —
Changes in unrealized gains (losses) included in OCI for the instruments still held as of December 31, 2020 (9)	$ (3)	$ 1	$ —	$ —	$ —	$ —	$ (9)	$ —	$ —
Changes in unrealized gains (losses) included in OCI for the instruments still held as of December 31, 2021 (9)	$ (6)	$ —	$ —	$ —	$ —	$ —	$ 12	$ —	$ —
Gains (Losses) Data for the year ended December 31, 2019:									
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	$ —	$ 1	$ 1	$ —	$ —	$ —	$ (12)	$ (1,192)	$ —
Total realized/unrealized gains (losses) included in AOCI	$ 15	$ 2	$ (1)	$ —	$ —	$ —	$ (1)	$ —	$ —

8. 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, and payables for collateral under securities loaned and other transactions. 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.

8. 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:

	December 31, 2021				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$ 19,850	$ —	$ —	$ 20,656	$ 20,656
Policy loans	$ 1,264	$ —	$ 508	$ 1,148	$ 1,656
Other invested assets	$ 82	$ —	$ 70	$ 12	$ 82
Premiums, reinsurance and other receivables	$ 3,242	$ —	$ 20	$ 3,749	$ 3,769
Liabilities					
Policyholder account balances	$ 23,637	$ —	$ —	$ 23,614	$ 23,614
Long-term debt	$ 3,157	$ —	$ 3,504	$ —	$ 3,504
Other liabilities	$ 854	$ —	$ 138	$ 716	$ 854
Separate account liabilities	$ 1,440	$ —	$ 1,440	$ —	$ 1,440

	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

9. Long-term Debt

Long-term debt outstanding was as follows at:

			December 31,			
			2021		2020	
	Stated Interest Rate	Maturity	Face Value	Carrying Value	Face Value	Carrying Value
			(In millions)			
Senior notes (1)	3.700%	2027	$ 757	$ 755	$ 1,300	$ 1,294
Senior notes (1)	5.625%	2030	615	614	615	614
Senior notes (1)	4.700%	2047	1,014	1,000	1,150	1,134
Senior notes (1)	3.850%	2051	400	396	—	—
Junior subordinated debentures (1)	6.250%	2058	375	363	375	363
Other long-term debt (2)	7.028%	2030	29	29	31	31
Total long-term debt (3)			$ 3,190	$ 3,157	$ 3,471	$ 3,436

(1) Interest on senior notes is payable semi-annually. Interest on junior subordinated debentures is payable quarterly subject to BHF’s right to defer interest payments in accordance with the terms of the debentures.

(2) 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.

(3) Includes unamortized debt issuance costs, discounts and premiums, as applicable, totaling net $33 million and $35 million for the senior notes and junior subordinated debentures on a combined basis at December 31, 2021 and 2020, respectively.

The aggregate maturities of long-term debt at December 31, 2021 were $2 million in each of 2022, 2023 and 2024, $3 million in each of 2025 and 2026, and $3.2 billion thereafter.

Unsecured senior notes rank highest in priority, followed by subordinated debt consisting of junior subordinated debentures.

Interest expense related to long-term debt of $163 million, $184 million and $191 million for the years ended December 31, 2021, 2020 and 2019, respectively, is included in other expenses.

The Company’s debt instruments and credit and committed facilities contain certain administrative, reporting and legal covenants. Additionally, the Revolving Credit Facility (as defined below) contain 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 the Company’ subsidiaries. At December 31, 2021, the Company was in compliance with these financial covenants.

Senior Notes

In November 2021, BHF used the net proceeds from the issuances of the Series D Depositary Shares (as defined in Note 10) and the 2051 Senior Notes (as defined below) to repurchase $543 million principal amount of senior notes due 2027 and $136 million principal amount of senior notes due 2047. In connection with this repurchase, BHF recorded a premium of $71 million paid in excess of the debt principal and wrote off $4 million of unamortized debt issuance costs, which is included in other expenses.

In November 2021, BHF issued $400 million aggregate principal amount of senior notes due December 2051 (the “2051 Senior Notes”) for aggregate net cash proceeds of $396 million. The 2051 Senior Notes bear interest at a fixed rate of 3.850%, payable semi-annually.

9. Long-term Debt (continued)

During the fourth quarter of 2020, BHF used the net proceeds from the issuance of the Series C Depositary Shares (as defined in Note 10) to repurchase $200 million principal amount of senior notes due 2027 and $350 million principal amount of senior notes due 2047. In connection with this repurchase, BHF recorded a premium of $37 million paid in excess of the debt principal and wrote off $6 million of unamortized debt issuance costs, which is included in other expenses.

During the second quarter of 2020, BHF issued $615 million aggregate principal amount of senior notes due May 2030 (the "2030 Senior Notes") for aggregate net cash proceeds of $614 million. The 2030 Senior Notes bear interest at a fixed rate of 5.625%, payable semi-annually.

Credit Facilities

Revolving Credit Facility

At December 31, 2021, BHF maintains a $1.0 billion senior unsecured revolving credit facility maturing May 7, 2024 (the "Revolving Credit Facility"), which may be used for revolving loans or letters of credit. At December 31, 2021, there were no borrowings or letters of credit outstanding under the Revolving Credit Facility.

Term Loan Facility

During the second quarter of 2020, BHF used the aggregate net proceeds from the issuances of the 2030 Senior Notes and the Series B Depositary Shares (as defined in Note 10) to repay $1.0 billion of borrowings outstanding under an unsecured term loan facility and terminated the facility without penalty.

For the years ended December 31, 2021, 2020 and 2019, fees associated with these credit facilities were not significant.

Committed Facilities

Reinsurance Financing Arrangement

At December 31, 2021, Brighthouse Reinsurance Company of Delaware ("BRCD") maintains a $12.0 billion financing arrangement with a pool of highly rated third-party reinsurers consisting of credit-linked notes that each mature in 2039. At December 31, 2021, there were no borrowings and there was $11.3 billion of funding available under this financing arrangement. For the years ended December 31, 2021, 2020 and 2019, the Company recognized commitment fees of $34 million, $30 million and $41 million, respectively, in other expenses associated with this financing arrangement.

Repurchase Facilities

At December 31, 2021, Brighthouse Life Insurance Company maintains secured committed repurchase facilities (the "Repurchase Facilities") under which Brighthouse Life Insurance Company may enter into repurchase transactions in an aggregate amount up to $2.0 billion for a term of up to three years. Under the Repurchase Facilities, Brighthouse Life Insurance Company may sell certain eligible securities at a purchase price based on the market value of the securities less an applicable margin based on the types of securities sold, with a concurrent agreement to repurchase such securities at a predetermined future date (up to three months) and at a price which represents the original purchase price plus interest. At December 31, 2021, there were no borrowings under the Repurchase Facilities. For the years ended December 31, 2021, 2020 and 2019, fees associated with the Repurchase Facilities were not significant.

10. Equity

Preferred Stock

Preferred stock shares authorized, issued and outstanding were as follows at:

	December 31,					
	2021			2020		
	Shares Authorized	Shares Issued	Shares Outstanding	Shares Authorized	Shares Issued	Shares Outstanding
6.600% Non-Cumulative Preferred Stock, Series A	17,000	17,000	17,000	17,000	17,000	17,000
6.750% Non-Cumulative Preferred Stock, Series B	16,100	16,100	16,100	16,100	16,100	16,100
5.375% Non-Cumulative Preferred Stock, Series C	23,000	23,000	23,000	23,000	23,000	23,000
4.625% Non-Cumulative Preferred Stock, Series D	14,000	14,000	14,000	—	—	—
Not designated	99,929,900	—	—	99,943,900	—	—
Total	100,000,000	70,100	70,100	100,000,000	56,100	56,100

In November 2021, BHF issued depositary shares (the “Series D Depositary Shares”), each representing a 1/1,000th ownership interest in a share of BHF’s perpetual 4.625% Series D non-cumulative preferred stock (the “Series D Preferred Stock”) and in the aggregate representing 14,000 shares of Series D Preferred Stock, with a stated amount of $25,000 per share, for aggregate net cash proceeds of $339 million. Dividends, if declared, will be payable commencing on March 25, 2022 and will accrue and be payable quarterly, in arrears, at an annual rate of 4.625% on the stated amount per share. In connection with the issuance of the Series D Depositary Shares and the underlying Series D Preferred Stock, BHF incurred $11 million of issuance costs, which have been recorded as a reduction of additional paid-in capital.

In November 2020, BHF issued depositary shares (the “Series C Depositary Shares”), each representing a 1/1,000th ownership interest in a share of BHF’s perpetual 5.375% Series C non-cumulative preferred stock (the “Series C Preferred Stock”) and in the aggregate representing 23,000 shares of Series C Preferred Stock, with a stated amount of $25,000 per share, for aggregate net cash proceeds of $558 million. Dividends, if declared, will accrue and be payable quarterly, in arrears, at an annual rate of 5.375% on the stated amount per share. In connection with the issuance of the Series C Depositary Shares and the underlying Series C Preferred Stock, BHF incurred $17 million of issuance costs, which have been recorded as a reduction of additional paid-in capital.

In May 2020, BHF issued depositary shares (the “Series B Depositary Shares”), each representing a 1/1,000th ownership interest in a share of its perpetual 6.750% non-cumulative preferred stock, Series B (the “Series B Preferred Stock”) and in the aggregate representing 16,100 shares of Series B Preferred Stock, with a stated amount of $25,000 per share, for aggregate net cash proceeds of $390 million. Dividends, if declared, will accrue and be payable quarterly, in arrears, at an annual rate of 6.750% on the stated amount per share. In connection with the issuance of the Series B Depositary Shares and the underlying Series B Preferred Stock, BHF incurred $13 million of issuance costs, which have been recorded as a reduction of additional paid-in capital.

In March 2019, BHF issued depositary shares, each representing a 1/1,000th ownership interest in a share of BHF’s perpetual 6.600% Series A non-cumulative preferred stock (the “Series A Preferred Stock”) and in the aggregate representing 17,000 shares of Series A Preferred Stock, with a stated amount of $25,000 per share, for aggregate net cash proceeds of $412 million. Dividends, if declared, will accrue and be payable quarterly, in arrears, at an annual rate of 6.600% on the stated amount per share. In connection with the issuance of the depositary shares and the underlying Series A Preferred Stock, BHF incurred $13 million of issuance costs, which have been recorded as a reduction of additional paid-in capital.

10. Equity (continued)

The Series A Preferred Stock, the Series B Preferred Stock, Series C Preferred Stock and the Series D Preferred Stock (together, the "Preferred Stock") rank equally with each other. The Preferred Stock ranks senior to common stock with respect to the payment of dividends and distributions of assets upon liquidation, dissolution or winding-up of the Company. Holders of the Preferred Stock are not entitled to any other amounts from the Company after they have received their full liquidation preference and do not have voting rights except in certain limited circumstances, including where dividends have not been paid in full for at least six dividend payment periods, whether or not such periods are consecutive. In such circumstances, the holders of the Preferred Stock, and, in turn, the underlying depositary shares, will have certain voting rights with respect to the election of additional directors to the BHF Board of Directors, as provided in the Certificate of Designations for each series of Preferred Stock.

Each series of Preferred Stock has a stated amount of $25,000 per share, is perpetual and has no maturity date. Dividends are payable, if declared, quarterly in arrears on the 25th day of March, June, September and December of each year at a specified annual rate on the stated amount per share applicable to each particular series. Dividends are recorded when declared. No dividends may be paid or declared on BHF's common stock and BHF may not purchase, redeem, or otherwise acquire its common stock unless the full dividends for the latest completed dividend period on all outstanding Preferred Stock have been declared and either paid or a sum sufficient for the payment thereof has been set aside.

The Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of the Company or its subsidiaries and is not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or similar provisions. Each series of the Preferred Stock is redeemable at the Company's option in whole or in part on or after a specified optional redemption date applicable to that series (March 25, 2024 for the Series A Preferred Stock, June 25, 2025 for the Series B Preferred Stock, December 25, 2025 for the Series C Preferred Stock and December 25, 2026 for the Series D Preferred Stock) at a redemption price equal to $25,000 per share, plus any accrued but unpaid dividends. Prior to the optional redemption date applicable to each series of Preferred Stock, the Preferred Stock is redeemable at the Company's option in whole but not in part within 90 days of the occurrence of (i) a specified rating agency event or (ii) a specified regulatory capital event, in each case at a specified redemption price.

The declaration, record and payment dates, as well as per share and aggregate dividend amounts for BHF's preferred stock by series for the years ended December 31, 2021, 2020 and 2019 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)					
November 15, 2021	December 10, 2021	December 27, 2021	$ 412.50	$ 7	$ 421.88	$ 6	$ 335.94	$ 8
August 16, 2021	September 10, 2021	September 27, 2021	412.50	7	421.88	7	335.94	8
May 17, 2021	June 10, 2021	June 25, 2021	412.50	7	421.88	7	335.94	7
February 16, 2021	March 10, 2021	March 25, 2021	412.50	7	421.88	7	466.58	11
			$ 1,650.00	$ 28	$ 1,687.52	$ 27	$ 1,474.40	$ 34
November 16, 2020	December 10, 2020	December 28, 2020	$ 412.50	$ 7	$ 421.88	$ 6	$ —	$ —
August 17, 2020	September 10, 2020	September 25, 2020	412.50	7	595.31	10	—	—
May 15, 2020	June 10, 2020	June 25, 2020	412.50	7	—	—	—	—
February 14, 2020	March 10, 2020	March 25, 2020	412.50	7	—	—	—	—
			$ 1,650.00	$ 28	$ 1,017.19	$ 16	$ —	$ —
November 15, 2019	December 10, 2019	December 26, 2019	$ 412.50	$ 7	$ —	$ —	$ —	$ —
August 15, 2019	September 10, 2019	September 25, 2019	412.50	7	—	—	—	—
May 15, 2019	June 10, 2019	June 25, 2019	412.50	7	—	—	—	—
			$ 1,237.50	$ 21	$ —	$ —	$ —	$ —

See Note 16 for information relating to preferred dividends declared subsequent to December 31, 2021.

10. Equity (continued)

Common Stock

Changes in common shares outstanding were as follows:

	Years Ended December 31,		
	2021	2020	2019
Shares outstanding at beginning of year	88,211,618	106,027,301	117,532,336
Shares issued	510,919	354,652	199,853
Shares repurchased (1)	(10,852,465)	(18,170,335)	(11,704,888)
Shares outstanding at end of year	77,870,072	88,211,618	106,027,301

(1) Includes shares of common stock withheld with respect to tax withholding obligations associated with the vesting of share-based compensation awards under the Company's publicly announced benefit plans or programs.

On August 2, 2021, BHF authorized the repurchase of up to $1.0 billion of its common stock, which is in addition to the $200 million repurchase announced on February 10, 2021. Repurchases under the August 2, 2021 authorization may be made through open market purchases, including pursuant to a 10b5-1 plan 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 years ended December 31, 2021, 2020 and 2019, BHF repurchased 10,703,165 shares, 18,097,084 shares and 11,658,208 shares, respectively, of its common stock through open market purchases pursuant to 10b5-1 plans for $499 million, $473 million and $442 million, respectively. At December 31, 2021, BHF had $781 million remaining under its common stock repurchase program.

Share-Based Compensation Plans

The Company's share-based compensation plans provide awards to employees and non-employee directors and may be in the form of non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units ("RSU"), performance shares, performance share units ("PSU"), or other share-based awards. Additionally, employees may purchase shares at a discount under an employee stock purchase plan (the "ESPP"). The aggregate number of authorized shares available for issuance at December 31, 2021 under the Company's various share-based compensation plans was 6,241,114. The Company issues new shares to satisfy vested RSUs and PSUs, as well as stock option exercises.

All share-based compensation is measured at fair value as of the grant date. The Company recognizes compensation expense related to share-based awards based on the number of awards expected to vest, which for some award types represent the awards granted less expected forfeitures over the life of the award, as estimated at the date of grant and actual forfeitures for other award types. Unless a material deviation from the assumed forfeiture rate is observed during the term in which the awards are expensed, the Company recognizes any adjustment necessary to reflect differences in actual experience in the period the award becomes payable or exercisable. Compensation expense related to share-based awards, which is included in other expenses, is principally related to the issuance of restricted stock units and performance share units with other costs incurred relating to stock options. The Company grants the majority of each year's awards in the first quarter of the year.

Compensation Expense Related to Share-Based Compensation

The following table presents total share-based compensation expense:

	Years Ended December 31,		
	2021	2020	2019
	(In millions)		
RSUs	$ 13	$ 15	$ 15
PSUs	9	5	4
Stock options	—	—	1
Employee stock purchase plan	1	1	1
Total share-based compensation expense	$ 23	$ 21	$ 21
Income tax benefit	$ 5	$ 4	$ 4

At December 31, 2021, unrecognized share-based compensation and the weighted average remaining recognition period was $8 million and 0.8 years, respectively, for RSUs and $14 million and 1.3 years, respectively, for PSUs.

Equity Awards

Restricted Stock Units

RSUs are units that, if vested, are payable in shares of BHF common stock. The Company does not credit RSUs with dividend-equivalents as RSUs do not accrue dividends. Accordingly, the estimated fair value of RSUs is based upon the closing price of shares on the date of grant. Most RSUs use graded vesting and vest in thirds on, or shortly after, the first three anniversaries of their grant date, while other RSUs vest in their entirety on the specified anniversary of their grant date. Vesting is subject to continued service, except for employees who meet specified age and service criteria, and in certain other limited circumstances.

Performance Share Units

PSUs are units that, if vested, are multiplied by a performance factor to produce a final number of BHF common stock shares. PSUs cliff vest at the end of a three-year performance period. Vesting is subject to continued service, except for employees who meet specified age and service criteria, and in certain other limited circumstances. The performance factors are based on the achievement of corporate expense reduction, capital return, net cash flow to Brighthouse Holdings, LLC and statutory expense ratio targets over the respective performance period depending on year of issue.

For awards granted for performance periods in progress through December 31, 2021, the vested PSUs will be multiplied by a performance factor up to a maximum payout of 150%. Assuming the Company has met certain threshold performance targets, the Compensation and Human Capital Committee of BHF's Board of Directors will determine the performance factor at its discretion.

The following table presents a summary of PSU and RSU activity:

	RSUs		PSUs	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2021	791,100	$ 37.80	453,971	$ 38.64
Granted	309,036	$ 41.81	310,402	$ 41.26
Performance factor adjustment	—	$ —	17,110	$ 48.10
Forfeited	327	$ 40.80	(4,220)	$ 41.26
Vested	(375,886)	$ 39.14	(74,157)	$ 48.10
Nonvested at December 31, 2021	724,577	$ 38.80	703,106	$ 39.01

The weighted average grant date fair value of RSUs granted during the years ended December 31, 2020 and 2019, was $35.68 and $38.81, respectively. The weighted average grant date fair value of PSUs granted during the years ended December 31, 2020 and 2019, was $35.84 and $38.97, respectively. The total fair value of RSUs that vested during the years ended December 31, 2021, 2020 and 2019, was $15 million, $10 million and $6 million, respectively. The total fair value of PSUs that vested during the years ended December 31, 2021, 2020 and 2019, was $4 million, $0 and $0, respectively.

Stock Options

Stock options represent the contingent right of award holders to purchase shares of BHF common stock at a stated price for a limited time. All stock options have an exercise price equal to the closing price of a share on the date of grant and have a maximum term of ten years. Stock options granted are exercisable at a rate of one-third of each award on each of the first three anniversaries of the grant date. Vesting is subject to continued service, except for employees who meet specified age and service criteria, and in certain other limited circumstances.

The Company estimates the fair value of stock options on the date of grant using the Black-Scholes model. The significant assumptions the Company uses in its model include: expected volatility of the price of shares; risk-free rate of return; graded three-year vesting; and expected option life. At December 31, 2021, there were 187,371 stock options outstanding and exercisable with a weighted average exercise price of $53.47 and aggregate intrinsic value of $0, which expire on February 29, 2028. During the year ended December 31, 2021, there were no stock options granted, exercised, forfeited or expired. During the years ended December 31, 2020 and 2019, no stock options were granted or exercised.

Employee Stock Purchase Plan Shares

Under the ESPP, eligible employees of the Company purchase common stock at a discount rate of 15% of the market price per share on the lesser of the first or last trading day of the offering period. Employees purchase a variable number of shares of stock through payroll deductions elected just prior to the beginning of the offering period. During the years ended December 31, 2021, 2020 and 2019, employees purchased 73,999 shares, 117,950 shares and 68,897 shares, respectively. The weighted average per share fair value of the discount under the ESPP was $10.06, $8.34 and $6.99 during the years ended December 31, 2021, 2020 and 2019, respectively, which was recorded in other expenses.

Statutory Financial Information

The states of domicile of the Company's insurance subsidiaries impose RBC requirements that were developed by the National Association of Insurance Commissioners ("NAIC"). The requirements are used by regulators to assess the minimum amount of statutory capital needed for an insurance company to support its operations, based on its size and risk profile. RBC is based on the statutory financial statements and is calculated in a manner prescribed by the NAIC, with the RBC ratio equal to the Company's Total Adjusted Capital ("TAC") divided by the Company Action Level. Companies below specific trigger levels or RBC ratios are subject to specified corrective action. The minimum level of TAC before corrective action commences is the Company Action Level RBC. The RBC ratios for the Company's insurance subsidiaries were each in excess of 400% for all periods presented.

The Company's insurance subsidiaries prepare statutory-basis financial statements in accordance with statutory accounting practices prescribed or permitted by the insurance department of the state of domicile.

Statutory accounting principles differ from GAAP primarily by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions, reporting of reinsurance agreements and valuing investments and deferred tax assets on a different basis.

The tables below present amounts from certain of the Company's insurance subsidiaries, which are derived from the statutory-basis financial statements as filed with the insurance regulators.

10. Equity (continued)

Statutory net income (loss) was as follows:

Company	State of Domicile	Years Ended December 31, 2021	2020	2019
		(In millions)		
Brighthouse Life Insurance Company	Delaware	$ (156)	$ (979)	$ 1,074
New England Life Insurance Company	Massachusetts	$ 40	$ 105	$ 61

Statutory capital and surplus was as follows at:

Company	December 31, 2021	2020
	(In millions)	
Brighthouse Life Insurance Company	$ 7,763	$ 7,410
New England Life Insurance Company	$ 139	$ 150

The Company has a reinsurance subsidiary, BRCD which reinsures risks including level premium term life and ULSG assumed from other Brighthouse Financial life insurance subsidiaries. BRCD, with the explicit permission of the Delaware Insurance Commissioner (“Delaware Commissioner”), has included the value of credit-linked notes as admitted assets, which resulted in higher statutory capital and surplus of $8.6 billion and $8.0 billion for the years ended December 31, 2021 and 2020, respectively.

The statutory net income (loss) of BRCD was $543 million, $145 million and ($316) million for the years ended December 31, 2021, 2020 and 2019, respectively, and the combined statutory capital and surplus, including the aforementioned prescribed practices, were $644 million and $624 million at December 31, 2021 and 2020, respectively.

Dividend Restrictions

The table below sets forth the dividends permitted to be paid by certain of the Company’s insurance companies without insurance regulatory approval and dividends paid:

Company	2022 Permitted Without Approval (1)	2021 Paid (2)	2020 Paid (2)	2019 Paid (2)
	(In millions)			
Brighthouse Life Insurance Company	$ 1,475	$ 550	$ 1,250	$ —
New England Life Insurance Company	$ 37	$ 44	$ 61	$ 131

(1) Reflects dividend amounts that may be paid during 2022 without prior regulatory approval. However, because dividend tests may be based on dividends previously paid over rolling 12-month periods, if paid before a specified date during 2022, some or all of such dividends may require regulatory approval.

(2) Reflects all amounts paid, including those requiring regulatory approval.

10. Equity (continued)

Under the Delaware Insurance Law, Brighthouse Life Insurance Company is permitted, without prior insurance regulatory clearance, to pay a stockholder dividend as long as the amount of the dividend when aggregated with all other dividends in the preceding 12 months does not exceed the greater of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year; or (ii) its net gain from operations for the immediately preceding calendar year (excluding realized capital gains), not including pro rata distributions of Brighthouse Life Insurance Company's own securities. Brighthouse Life Insurance Company will be permitted to pay a stockholder dividend in excess of the greater of such two amounts only if it files notice of the declaration of such a dividend and the amount thereof with the Delaware Commissioner and the Delaware Commissioner either approves the distribution of the dividend or does not disapprove the distribution within 30 days of its filing. In addition, any dividend that exceeds earned surplus (defined as "unassigned funds (surplus)") as of the immediately preceding calendar year requires insurance regulatory approval. Under the Delaware Insurance Law, the Delaware Commissioner has broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its stockholders.

Under the Massachusetts State Insurance Law, NELICO is permitted, without prior insurance regulatory clearance, to pay a stockholder dividend as long as the aggregate amount of the dividend, when aggregated with all other dividends paid in the preceding 12 months, does not exceed the greater of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year; or (ii) its net gain from operations for the immediately preceding calendar year, not including pro rata distributions of NELICO's own securities. NELICO will be permitted to pay a dividend in excess of the greater of such two amounts only if it files notice of the declaration of such a dividend and the amount thereof with the Massachusetts Commissioner of Insurance (the "Massachusetts Commissioner") and the Massachusetts Commissioner either approves the distribution of the dividend or does not disapprove the distribution within 30 days of its filing. In addition, any dividend that exceeds earned surplus (defined as "unassigned funds (surplus)") as of the last filed annual statutory statement requires insurance regulatory approval. Under the Massachusetts State Insurance Law, the Massachusetts Commissioner has broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its stockholders.

Under BRCD's plan of operations, no dividend or distribution may be made by BRCD without the prior approval of the Delaware Commissioner. During the year ended December 31, 2021, BRCD paid an extraordinary dividend in the form of the settlement of affiliated reinsurance balances of $400 million, invested assets of $197 million and cash of $3 million. During the year ended December 31, 2020, BRCD paid an extraordinary dividend in the form of invested assets of $423 million and the settlement of affiliated reinsurance balances of $177 million, which was approved by the Delaware Commissioner in December 2019. BRCD did not pay any extraordinary dividends during the year ended December 31, 2019. During each of the years ended December 31, 2021, 2020 and 2019, BRCD paid cash dividends of $1 million to its preferred shareholders.

10. Equity (continued)

Accumulated Other Comprehensive Income (Loss)

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

	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, 2018	$ 576	$ 187	$ (27)	$ (20)	$ 716
OCI before reclassifications	3,285	40	12	(10)	3,327
Deferred income tax benefit (expense) (3)	(690)	(8)	—	2	(696)
AOCI before reclassifications, net of income tax	3,171	219	(15)	(28)	3,347
Amounts reclassified from AOCI	(76)	(59)	—	—	(135)
Deferred income tax benefit (expense) (3)	16	12	—	—	28
Amounts reclassified from AOCI, net of income tax	(60)	(47)	—	—	(107)
Balance at December 31, 2019	3,111	172	(15)	(28)	3,240
OCI before reclassifications (2)	3,511	(52)	20	(14)	3,465
Deferred income tax benefit (expense) (3)	(737)	11	(13)	4	(735)
AOCI before reclassifications, net of income tax	5,885	131	(8)	(38)	5,970
Amounts reclassified from AOCI	(303)	(20)	—	1	(322)
Deferred income tax benefit (expense) (3)	64	4	—	—	68
Amounts reclassified from AOCI, net of income tax	(239)	(16)	—	1	(254)
Balance at December 31, 2020	5,646	115	(8)	(37)	5,716
OCI before reclassifications	(2,122)	171	1	(3)	(1,953)
Deferred income tax benefit (expense) (3)	446	(36)	—	—	410
AOCI before reclassifications, net of income tax	3,970	250	(7)	(40)	4,173
Amounts reclassified from AOCI	15	(15)	—	(1)	(1)
Deferred income tax benefit (expense) (3)	(3)	3	—	—	—
Amounts reclassified from AOCI, net of income tax	12	(12)	—	(1)	(1)
Balance at December 31, 2021	$ 3,982	$ 238	$ (7)	$ (41)	$ 4,172

(1) See Note 6 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.

(3) The effects of income taxes on amounts recorded to AOCI are also recognized in AOCI. These income tax effects are released from AOCI when the related activity is reclassified into results from operations.

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

10. Equity (continued)

AOCI Components	Amounts Reclassified from AOCI			Consolidated Statements of Operations Locations
	Years Ended December 31,			
	2021	2020	2019	
	(In millions)			
Net unrealized investment gains (losses):				
Net unrealized investment gains (losses)	$ (4)	$ 318	$ 113	Net investment gains (losses)
Net unrealized investment gains (losses)	(11)	(15)	(37)	Net derivative gains (losses)
Net unrealized investment gains (losses), before income tax	(15)	303	76	
Income tax (expense) benefit	3	(64)	(16)	
Net unrealized investment gains (losses), net of income tax	(12)	239	60	
Unrealized gains (losses) on derivatives - cash flow hedges:				
Interest rate swaps	2	2	32	Net derivative gains (losses)
Interest rate swaps	3	3	2	Net investment income
Foreign currency swaps	10	15	25	Net derivative gains (losses)
Gains (losses) on cash flow hedges, before income tax	15	20	59	
Income tax (expense) benefit	(3)	(4)	(12)	
Gains (losses) on cash flow hedges, net of income tax	12	16	47	
Defined benefit plans adjustment:				
Amortization of net actuarial gains (losses)	1	(1)	—	
Amortization of defined benefit plans, before income tax	1	(1)	—	
Amortization of defined benefit plans, net of income tax	1	(1)	—	
Total reclassifications, net of income tax	$ 1	$ 254	$ 107	

11. Other Revenues and Other Expenses

Other Revenues

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

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

Other revenues consisted primarily of 12b-1 fees of $360 million, $325 million and $336 million for the years ended December 31, 2021, 2020 and 2019, respectively, of which substantially all were reported in the Annuities segment.

11. Other Revenues and Other Expenses (continued)

Other Expenses

Information on other expenses was as follows:

	Years Ended December 31,		
	2021	2020	2019
		(In millions)	
Compensation	$ 385	$ 346	$ 333
Contracted services and other labor costs	280	281	287
Transition services agreements	124	127	245
Establishment costs	98	112	118
Premium and other taxes, licenses and fees	52	44	48
Separate account fees	508	466	488
Volume related costs, excluding compensation, net of DAC capitalization	682	625	636
Interest expense on debt	163	184	191
Debt repayment costs	75	43	—
Other	84	125	145
Total other expenses	$ 2,451	$ 2,353	$ 2,491

Capitalization of DAC

See Note 4 for additional information on the capitalization of DAC.

Interest Expense on Debt

See Note 9 for attribution of interest expense by debt issuance.

12. Employee Benefit Plans

BHF Active Defined Contribution Plans

Brighthouse Services sponsors qualified and non-qualified defined contribution plans. For the years ended December 31, 2021, 2020 and 2019, the total employer contributions for the qualified defined contribution plan were $18 million, $17 million and $15 million, respectively, and the total expense recognition for the non-qualified defined contribution plans were $9 million, $7 million and $6 million, respectively, all of which are reported in other expenses.

NELICO Legacy Pension and Other Unfunded Benefit Plans

NELICO sponsors both a qualified and a non-qualified defined benefit pension plan, a postretirement plan and other unfunded benefit plans. These pension and other unfunded benefit plans were amended to cease benefit accruals and are closed to new entrants. The qualified defined benefit pension plan had an accumulated benefit obligation of $174 million and $182 million at December 31, 2021 and 2020, respectively. This plan was fully funded at both December 31, 2021 and 2020 with assets in excess of the accumulated benefit obligation of $8 million. The Company did not make any employer contributions to this qualified plan during 2020 or 2019.

The non-qualified defined benefit pension plan and the postretirement plan had a combined accumulated benefit obligation totaling $105 million and $111 million at December 31, 2021 and 2020, respectively. These amounts are unfunded.

The other unfunded benefit plans consist primarily of deferred compensation due to former agents which represent general unsecured liabilities of NELICO. The amounts due under these other unfunded benefit plans were $69 million and $65 million at December 31, 2021 and 2020, respectively.

Although NELICO remains the legal obligor for these plans, an employee matters agreement ("EMA") exists between BHF and MetLife whereby MetLife has agreed to reimburse BHF for the obligations under the non-qualified and other unfunded plans as payments are made. At the time of Separation, BHF established a receivable from MetLife in the amount of the unfunded obligations due under these plans. MetLife is required to annually reimburse BHF for each prior year's benefit payments, claims and premiums under the NELICO plans that are listed in the EMA. The Company's receivable from MetLife under the EMA for future total estimated benefit payments, claims and premiums was $194 million and $197 million at December 31, 2021 and 2020, respectively. The receivable is reported in premiums, reinsurance and other receivables. Increases and decreases to the EMA receivable are reported in other revenues.

13. Income Tax

The provision for income tax was as follows:

	Years Ended December 31,		
	2021	2020	2019
	(In millions)		
Current:			
Federal	$ 32	$ 30	$ (36)
State and local	12	6	4
Subtotal	44	36	(32)
Deferred:			
Federal	(149)	(399)	(285)
Provision for income tax expense (benefit)	$ (105)	$ (363)	$ (317)

The reconciliation of the income tax provision at the statutory tax rate to the provision for income tax as reported was as follows:

	Years Ended December 31,		
	2021	2020	2019
	(In millions)		
Tax provision at statutory rate	$ (44)	$ (298)	$ (221)
Tax effect of:			
Dividends received deduction	(37)	(42)	(42)
Tax credits	(16)	(25)	(31)
Change in valuation allowance	18	1	—
Return to provision	14	2	(5)
Adjustments to deferred tax	(48)	(5)	(21)
Other, net	8	4	3
Provision for income tax expense (benefit)	$ (105)	$ (363)	$ (317)
Effective tax rate	50 %	26 %	30 %

13. Income Tax (continued)

Deferred income tax represents the tax effect of the differences between the book and tax bases of assets and liabilities. Net deferred income tax assets and liabilities consisted of the following at:

	December 31,	
	2021	2020
	(In millions)	
Deferred income tax assets:		
Net operating loss carryforwards	$ 1,254	$ 1,486
Tax credit carryforwards	151	133
Employee benefits	24	15
Intangibles	42	58
Other	6	—
Total deferred income tax assets	1,477	1,692
Less: Valuation allowance	19	—
Total net deferred income tax assets	1,458	1,692
Deferred income tax liabilities:		
Net unrealized investment gains	1,122	1,532
Policyholder liabilities and receivables	404	905
DAC	798	720
Investments, including derivatives	196	154
Other	—	1
Total deferred income tax liabilities	2,520	3,312
Net deferred income tax asset (liability)	$ (1,062)	$ (1,620)

The following table sets forth the net operating loss carryforwards for tax purposes at December 31, 2021.

	Net Operating Loss Carryforwards
	(In millions)
Expiration	
2032-2037	$ 2,054
Indefinite	3,918
	$ 5,972

The following table sets forth the general business credits and foreign tax credits available for carryforward for tax purposes at December 31, 2021.

	Tax Credit Carryforwards	
	General Business Credits	Foreign Tax Credits
	(In millions)	
Expiration		
2022-2025	$ —	$ 18
2026-2030	—	96
2031-2035	—	20
2036-2040	17	—
Indefinite	—	—
	$ 17	$ 134

The Company believes that it is more likely than not that the benefit from certain tax credit carryforwards will not be realized. Accordingly, a valuation allowance of $18 million has been established on the deferred tax assets related to the tax credit carryforwards at December 31, 2021.

13. Income Tax (continued)

The Company's liability for unrecognized tax benefits may increase or decrease in the next 12 months. A reasonable estimate of the increase or decrease cannot be made at this time. However, the Company continues to believe that the ultimate resolution of the pending issues will not result in a material change to its consolidated financial statements, although the resolution of income tax matters could impact the Company's effective tax rate in the future.

A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

	Years Ended December 31,		
	2021	2020	2019
	(In millions)		
Balance at January 1,	$ 35	$ 35	$ 35
Additions for tax positions of prior years	—	—	—
Reductions for tax positions of prior years	—	—	—
Additions for tax positions of current year	—	—	—
Reductions for tax positions of current year	—	—	—
Settlements with tax authorities	—	—	—
Balance at December 31,	$ 35	$ 35	$ 35
Unrecognized tax benefits that, if recognized would impact the effective rate	$ 35	$ 35	$ 35

The Company classifies interest accrued related to unrecognized tax benefits in interest expense, included within other expenses, while penalties are included in income tax expense. Interest related to unrecognized tax benefits was not significant. The Company had no penalties for each of the years ended December 31, 2021, 2020 and 2019.

The Company is subject to examination by the Internal Revenue Service and other tax authorities in jurisdictions in which the Company has significant business operations. The income tax years under examination vary by jurisdiction and subsidiary. The Company is no longer subject to federal, state or local income tax examinations for years prior to 2010. Management believes it has established adequate tax liabilities, and final resolution of the audit for the years 2010 and forward is not expected to have a material impact on the Company's consolidated financial statements.

Tax Sharing Agreements

For the periods prior to the Separation, Brighthouse Financial filed a consolidated federal life and non-life income tax return in accordance with the provisions of the Internal Revenue Code of 1986, as amended. Current taxes (and the benefits of tax attributes such as losses) are allocated to Brighthouse Financial, Inc., and its includable subsidiaries, under the consolidated tax return regulations and a tax sharing agreement with MetLife. This tax sharing agreement states that federal taxes will be computed on a modified separate return basis with benefits for losses.

For periods after the Separation, Brighthouse Financial entered into two separate tax sharing agreements. Brighthouse Life Insurance Company and any directly owned life insurance and reinsurance subsidiaries (including Brighthouse Life Insurance Company of NY and BRCD) entered in a tax sharing agreement to join a life consolidated federal income tax return. Brighthouse Financial, Inc. and its includable subsidiaries entered into a tax sharing agreement to join a non-life consolidated federal income tax return. NELICO and the non-life subsidiaries of Brighthouse Life Insurance Company will file their own federal income tax returns. The tax sharing agreements state that federal taxes are computed on a modified separate return basis with benefit for losses.

Income Tax Transactions with Former Parent

In connection with the Separation, the Company entered into a tax receivables agreement (the "Tax Receivables Agreement") with MetLife that provides MetLife with the right to receive as partial consideration for its contribution of assets to BHF future payments from BHF, equal to 86% of the amount of cash savings, if any, in federal income tax that Brighthouse Financial actually, or are deemed to, realize as a result of the utilization of Brighthouse Financial, Inc. and its subsidiaries' net operating losses, capital losses, tax basis and amortization or depreciation deductions in respect of certain tax benefits it may realize as a result of certain transactions involved in the Separation. In connection with the Tax Receivables Agreement, the Company has a payable to MetLife of $328 million at both December 31, 2021 and 2020 included in other liabilities.

13. Income Tax (continued)

The Company also entered into a tax separation agreement with MetLife. Among other things, the tax separation agreement governs the allocation between MetLife and the Company of the responsibility for the taxes of the MetLife group. The tax separation agreement also allocates rights, obligations and responsibilities in connection with certain administrative matters relating to the preparation of tax returns and control of tax audits and other proceedings relating to taxes. For the years ended December 31, 2021, 2020 and 2019, Brighthouse Financial paid MetLife $81 million, $0 and $3 million, respectively, under the tax separation agreement. At December 31, 2021 and 2020, the current income tax liability included $76 million and $136 million, respectively, payable to MetLife related to this agreement.

14. Earnings Per Common Share

The calculation of earnings per common share was as follows:

	Years Ended December 31,		
	2021	2020	2019
	(In millions, except share and per share data)		
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders	$ (197)	$ (1,105)	$ (761)
Weighted average common shares outstanding — basic	83,783,664	95,350,822	112,508,650
Dilutive effect of share-based awards	—	—	—
Weighted average common shares outstanding — diluted	83,783,664	95,350,822	112,508,650
Earnings per common share:			
Basic	$ (2.36)	$ (11.58)	$ (6.76)
Diluted	$ (2.36)	$ (11.58)	$ (6.76)

For the years ended December 31, 2021, 2020 and 2019, basic loss per common share equaled diluted loss per common share. The diluted shares were not utilized in the per share calculation for these periods as the inclusion of such shares would have an antidilutive effect. See Note 10 for further information on share-based compensation plans.

15. 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.

The Company also receives and responds to subpoenas or other inquiries seeking a broad range of information from various state and federal regulators, agencies and officials. The issues involved in information requests and regulatory matters vary widely, but can include inquiries or investigations concerning the Company's compliance with applicable insurance and other laws and regulations. The Company cooperates in these inquiries.

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 December 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 December 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.

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 in March 2021. 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. Brighthouse Life Insurance Company and Brighthouse Life Insurance Company of NY filed a motion to dismiss in June 2021, which was denied in February 2022. The Company intends to vigorously defend this matter.

15. Contingencies, Commitments and Guarantees (continued)

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 Loss Contingencies

As with litigation and regulatory loss contingencies, the Company considers establishing liabilities for loss contingencies associated with disputes or other matters involving third parties, including counterparties to contractual arrangements entered into by the Company (e.g., third-party vendors and reinsurers), as well as with tax authorities ("other loss contingencies"). The Company establishes liabilities for such other 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.

In the disputes where the Company's subsidiaries are acting as the reinsured or the reinsurer, such matters involve assertions by third parties primarily related to rates, fees or reinsured benefit calculations, and in certain of such matters, the counterparty has made a request to arbitrate.

As of December 31, 2021, the Company estimates the range of reasonably possible losses in excess of the amounts accrued for certain other loss contingencies to be from zero up to approximately $250 million, which are primarily associated with the above reinsurance-related matters. For certain other matters, the Company may not currently be 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 basis, the Company reviews relevant information with respect to other loss 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 $719 million and $210 million at December 31, 2021 and 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 $2.3 billion and $1.7 billion at December 31, 2021 and 2020, respectively.

15. Contingencies, Commitments and Guarantees (continued)

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 December 31, 2021 and 2020 for indemnities, guarantees and commitments.

16. Subsequent Event

Preferred Stock Dividend

On February 15, 2022, BHF declared a dividend of $412.50 per share on its Series A Preferred Stock, $421.88 per share on its Series B Preferred Stock, $335.94 per share on its Series C Preferred Stock and $395.05 per share on its Series D Preferred Stock for a total of $27 million, which will be paid on March 25, 2022 to stockholders of record as of March 10, 2022.

Brighthouse Financial, Inc.

Schedule I

Consolidated Summary of Investments —
Other Than Investments in Related Parties
December 31, 2021

(In millions)

Types of Investments	Cost or Amortized Cost (1)	Estimated Fair Value	Amount at Which Shown on Balance Sheet
Fixed maturity securities:			
Bonds:			
U.S. government and agency	$ 7,301	$ 9,307	$ 9,307
State and political subdivision	3,995	4,835	4,835
Public utilities	3,628	4,177	4,177
Foreign government	1,593	1,832	1,832
All other corporate bonds	42,202	46,177	46,177
Total bonds	58,719	66,328	66,328
Mortgage-backed and asset-backed securities	20,115	20,821	20,821
Redeemable preferred stock	412	433	433
Total fixed maturity securities	79,246	87,582	87,582
Equity securities:			
Non-redeemable preferred stock	70	71	71
Common stock:			
Industrial, miscellaneous and all other	24	28	28
Public utilities	—	2	2
Total equity securities	94	101	101
Mortgage loans	19,850		19,850
Policy loans	1,264		1,264
Limited partnerships and LLCs	4,271		4,271
Short-term investments	1,841		1,841
Other invested assets	3,316		3,316
Total investments	$ 109,882		$ 118,225

(1) Cost or amortized cost for fixed maturity securities represents original cost reduced by impairments that are charged to earnings and adjusted for amortization of premiums or accretion of discounts; for mortgage loans, cost represents original cost reduced by repayments and valuation allowances and adjusted for amortization of premiums or accretion of discounts; for equity securities, cost represents original cost; for limited partnerships and LLCs, cost represents original cost adjusted for equity in earnings and distributions.

Brighthouse Financial, Inc.

Schedule II

Condensed Financial Information
(Parent Company Only)
December 31, 2021 and 2020

(In millions, except share and per share data)

	2021	2020
Condensed Balance Sheets		
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $0 and $45, respectively; allowance for credit losses of $0 and $0, respectively)	$ —	$ 47
Short-term investments, principally at estimated fair value	1,168	1,333
Other invested assets, at estimated fair value	3	—
Investment in subsidiary	18,557	20,326
Total investments	19,728	21,706
Cash and cash equivalents	372	262
Premiums and other receivables	197	197
Current income tax recoverable	2	62
Deferred income tax receivable	26	1
Other assets	2	4
Total assets	$ 20,327	$ 22,232
Liabilities and Stockholders' Equity		
Liabilities		
Long-term and short-term debt	$ 3,840	$ 3,858
Other liabilities	345	351
Total liabilities	4,185	4,209
Stockholders' Equity		
Preferred stock, par value $0.01 per share; $1,753 and $1,403, respectively, aggregate liquidation preference	—	—
Common stock, par value $0.01 per share; 1,000,000,000 shares authorized; 121,513,442 and 121,002,523 shares issued, respectively; 77,870,072 and 88,211,618 shares outstanding, respectively	1	1
Additional paid-in capital	14,154	13,878
Retained earnings (deficit)	(642)	(534)
Treasury stock, at cost; 43,643,370 and 32,790,905 shares, respectively	(1,543)	(1,038)
Accumulated other comprehensive income (loss)	4,172	5,716
Total stockholders' equity	16,142	18,023
Total liabilities and stockholders' equity	$ 20,327	$ 22,232

See accompanying notes to the condensed financial information.

Brighthouse Financial, Inc.

Schedule II

Condensed Financial Information (continued)
(Parent Company Only)
For the Years Ended December 31, 2021, 2020 and 2019

(In millions)

	2021	2020	2019
Condensed Statements of Operations			
Revenues			
Net investment income	$ 1	$ 7	$ 20
Other revenues	13	19	24
Net investment gains (losses)	2	—	—
Net derivative gains (losses)	2	8	—
Total revenues	18	34	44
Expenses			
Debt repayment costs	77	43	—
Other expenses	179	211	219
Total expenses	256	254	219
Income (loss) before provision for income tax and equity in earnings (losses) of subsidiaries	(238)	(220)	(175)
Provision for income tax expense (benefit)	(50)	(45)	(37)
Income (loss) before equity in earnings (losses) of subsidiaries	(188)	(175)	(138)
Equity in earnings (losses) of subsidiaries	80	(886)	(602)
Net income (loss)	(108)	(1,061)	(740)
Less: Preferred stock dividends	89	44	21
Net income (loss) available to common shareholders	$ (197)	$ (1,105)	$ (761)
Comprehensive income (loss)	$ (1,652)	$ 1,415	$ 1,784

See accompanying notes to the condensed financial information.

Brighthouse Financial, Inc.

Schedule II

Condensed Financial Information (continued)
(Parent Company Only)
For the Years Ended December 31, 2021, 2020 and 2019

(In millions)

	2021	2020	2019
Condensed Statements of Cash Flows			
Cash flows from operating activities			
Net income (loss)	$ (108)	$ (1,061)	$ (740)
Equity in (earnings) losses of subsidiaries	(80)	886	602
Distributions from subsidiary	310	1,468	195
Other, net	122	68	(16)
Net cash provided by (used in) operating activities	244	1,361	41
Cash flows from investing activities			
Sales, maturities and repayments of fixed maturity securities	46	11	194
Purchases of fixed maturity securities	—	(12)	(4)
Cash received in connection with freestanding derivatives	7	—	—
Cash paid in connection with freestanding derivatives	(2)	—	—
Capital contributions to subsidiary	—	—	(412)
Net change in short-term investments	162	(873)	(455)
Net cash provided by (used in) investing activities	213	(874)	(677)
Cash flows from financing activities			
Long-term and short-term debt issued	1,464	1,764	2,156
Long-term and short-term debt repaid	(1,484)	(2,590)	(1,716)
Debt repayment costs	(71)	(37)	—
Preferred stock issued, net of issuance costs	339	948	412
Dividends on preferred stock	(89)	(44)	(21)
Treasury stock acquired in connection with share repurchases	(499)	(473)	(442)
Other, net	(7)	(5)	(2)
Net cash provided by (used in) financing activities	(347)	(437)	387
Change in cash and cash equivalents	110	50	(249)
Cash and cash equivalents, beginning of year	262	212	461
Cash and cash equivalents, end of year	$ 372	$ 262	$ 212
Supplemental disclosures of cash flow information			
Net cash paid (received) for:			
Interest	$ 158	$ 184	$ 187
Income tax	$ (86)	$ (25)	$ (4)

See accompanying notes to the condensed financial information.

Brighthouse Financial, Inc.

Schedule II

Notes to the Condensed Financial Information
(Parent Company Only)

1. Basis of Presentation

The condensed financial information of Brighthouse Financial, Inc. (the “Parent Company”) should be read in conjunction with the consolidated financial statements of Brighthouse Financial, Inc. and its subsidiaries and the notes thereto (the “Consolidated Financial Statements”). These condensed unconsolidated financial statements reflect the results of operations, financial position and cash flows for Brighthouse Financial, Inc. Investments in subsidiaries are accounted for using the equity method of accounting.

The preparation of these condensed unconsolidated financial statements in conformity with GAAP requires management to adopt accounting policies and make certain estimates and assumptions. The most important of these estimates and assumptions relate to the fair value measurements, identifiable intangible assets and the provision for potential losses that may arise from litigation and regulatory proceedings and tax audits, which may affect the amounts reported in the condensed unconsolidated financial statements and accompanying notes. Actual results could differ from these estimates.

2. Investment in Subsidiary

During the years ended December 31, 2021, 2020 and 2019, BHF received cash distributions of $310 million, $1.5 billion and $195 million, respectively, from Brighthouse Holdings, LLC (“BH Holdings”) and made cash capital contributions of $0, $0 and $412 million, respectively, to BH Holdings. Distributions received during the years ended December 31, 2021 and 2020 primarily relate to $550 million and $1.3 billion, respectively, of ordinary cash dividends paid by Brighthouse Life Insurance Company to BH Holdings.

3. Long-term and Short-term Debt

Long-term and short-term debt outstanding was as follows at:

	Stated Interest Rate	Maturity	December 31, 2021	December 31, 2020
			(In millions)	
Senior notes — unaffiliated	3.700%	2027	$ 755	$ 1,294
Senior notes — unaffiliated	5.625%	2030	614	614
Senior notes — unaffiliated	4.700%	2047	1,000	1,134
Senior notes — unaffiliated	3.850%	2051	396	—
Junior subordinated debentures — unaffiliated	6.250%	2058	363	363
Total long-term debt (1)			3,128	3,405
Short-term intercompany loans			712	453
Total long-term and short-term debt (1)			$ 3,840	$ 3,858

(1) Includes unamortized debt issuance costs, discounts and premiums, as applicable, totaling net $33 million and $35 million for the senior notes and junior subordinated debentures on a combined basis at December 31, 2021 and 2020, respectively.

The aggregate maturities of long-term and short-term debt at December 31, 2021 were $712 million in 2022, $0 in each of 2023, 2024, 2025 and 2026, and $3.2 billion thereafter.

Interest expense related to long-term and short-term debt of $159 million, $183 million and $191 million for the years ended December 31, 2021, 2020 and 2019, respectively, is included in other expenses.

Senior Notes and Junior Subordinated Debentures

See Note 9 of the Notes to the Consolidated Financial Statements for information regarding the unaffiliated senior notes and junior subordinated debentures.

Credit Facilities

See Note 9 of the Notes to the Consolidated Financial Statements for information regarding BHF’s credit facilities.

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 years ended December 31, 2021, 2020 and 2019, BHF borrowed $1.1 billion, $1.2 billion and $1.2 billion, respectively, from certain of its non-insurance subsidiaries and repaid $805 million, $1.0 billion and $1.1 billion of such borrowings during the years ended December 31, 2021, 2020 and 2019, respectively. The weighted average interest rate on short-term intercompany loans outstanding at December 31, 2021, 2020 and 2019 was 0.05%, 0.05% and 0.95%, respectively.

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 the years ended December 31, 2021, 2020 and 2019, there were no borrowings or repayments by BHF under these facilities.

Brighthouse Financial, Inc.

Schedule III

Consolidated Supplementary Insurance Information
December 31, 2021 and 2020

(In millions)

Segment	DAC and VOBA	Future Policy Benefits and Other Policy-Related Balances	Policyholder Account Balances	Unearned Premiums (1) (2)	Unearned Revenue (1)
2021					
Annuities	$ 4,331	$ 10,423	$ 50,791	$ —	$ 83
Life	947	6,302	3,083	10	398
Run-off	4	23,031	7,207	—	213
Corporate & Other	95	7,508	5,770	5	—
Total	$ 5,377	$ 47,264	$ 66,851	$ 15	$ 694
2020					
Annuities	$ 3,829	$ 10,452	$ 43,784	$ —	$ 86
Life	971	6,242	3,085	10	350
Run-off	5	23,558	7,638	—	184
Corporate & Other	106	7,607	1	5	—
Total	$ 4,911	$ 47,859	$ 54,508	$ 15	$ 620

(1) Amounts are included within the future policy benefits and other policy-related balances column.

(2) Includes premiums received in advance.

Brighthouse Financial, Inc.

Schedule III

Consolidated Supplementary Insurance Information (continued)
December 31, 2021, 2020 and 2019

(In millions)

Segment	Premiums and Universal Life and Investment-Type Product Policy Fees	Net Investment Income (1)	Policyholder Benefits and Claims and Interest Credited to Policyholder Account Balances	Amortization of DAC and VOBA	Other Expenses
2021					
Annuities	$ 2,862	$ 2,207	$ 1,628	$ 111	$ 1,654
Life	784	671	927	22	180
Run-off	618	1,900	2,109	—	191
Corporate & Other	79	103	91	11	426
Total	$ 4,343	$ 4,881	$ 4,755	$ 144	$ 2,451
2020					
Annuities	$ 2,656	$ 1,809	$ 2,452	$ 668	$ 1,554
Life	848	459	869	107	176
Run-off	641	1,263	3,422	—	186
Corporate & Other	84	70	60	(9)	437
Total	$ 4,229	$ 3,601	$ 6,803	$ 766	$ 2,353
2019					
Annuities	$ 2,788	$ 1,797	$ 1,414	$ 363	$ 1,676
Life	871	434	824	5	211
Run-off	718	1,273	2,436	—	200
Corporate & Other	85	75	59	14	404
Total	$ 4,462	$ 3,579	$ 4,733	$ 382	$ 2,491

(1) See Note 2 of the Notes to the Consolidated Financial Statements for the basis of allocation of net investment income.

Brighthouse Financial, Inc.

Schedule IV

Consolidated Reinsurance
December 31, 2021, 2020 and 2019

(Dollars in millions)

	Gross Amount	Ceded	Assumed	Net Amount	% Amount Assumed to Net
2021					
Life insurance in-force	$ 524,398	$ 152,764	$ 7,341	$ 378,975	1.9%
Insurance premium					
Life insurance (1)	$ 1,230	$ 516	$ (12)	$ 702	(1.7)%
Accident & health insurance	210	205	—	5	—%
Total insurance premium	$ 1,440	$ 721	$ (12)	$ 707	(1.7)%
2020					
Life insurance in-force	$ 541,463	$ 164,336	$ 7,293	$ 384,420	1.9%
Insurance premium					
Life insurance (1)	$ 1,289	$ 538	$ 10	$ 761	1.3%
Accident & health insurance	220	215	—	5	—%
Total insurance premium	$ 1,509	$ 753	$ 10	$ 766	1.3%
2019					
Life insurance in-force	$ 568,120	$ 175,728	$ 7,153	$ 399,545	1.8%
Insurance premium					
Life insurance (1)	$ 1,424	$ 556	$ 10	$ 878	1.1%
Accident & health insurance	227	223	—	4	—%
Total insurance premium	$ 1,651	$ 779	$ 10	$ 882	1.1%

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(1) Includes annuities with life contingencies.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure 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 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 December 31, 2021.

Changes in Internal Control Over Financial Reporting

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 December 31, 2021 that have materially affected, or are reasonably likely to materially affect, these internal controls over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

Management of Brighthouse Financial, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control include providing management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of consolidated financial statements in conformity with GAAP.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management has completed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. In making the assessment, management used the criteria set forth in "Internal Control - Integrated Framework" promulgated by the Committee of Sponsoring Organizations of the Treadway Commission.

Based upon the assessment performed under that framework, management has maintained and concluded that the Company's internal control over financial reporting was effective as of December 31, 2021.

Attestation Report of the Company's Registered Public Accounting Firm

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has issued their attestation report on management's internal control over financial reporting which is set forth below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Brighthouse Financial, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Brighthouse Financial, Inc. and subsidiaries (the "Company") as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Consolidated Financial Statements, Notes and Schedules as of and for the year ended December 31, 2021, of the Company and our report dated February 24, 2022, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP
Charlotte, North Carolina
February 24, 2022

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Certain of the information required by this Item pertaining to Executive Officers appears in “Business — Information About Our Executive Officers” in this Annual Report on Form 10-K. The other information required by this Item will be set forth in the 2022 Proxy Statement, which information is hereby incorporated by reference.

Item 11. Executive Compensation

The information required by this Item will be set forth in the 2022 Proxy Statement, which information is hereby incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be set forth in the 2022 Proxy Statement, which information is hereby incorporated by reference.

Item 13. Certain Relationships, Related Person Transactions and Director Independence

The information required by this Item will be set forth in the 2022 Proxy Statement, which information is hereby incorporated by reference.

Item 14. Principal Accountant Fees and Services

The information about aggregate fees billed to us by our principal accountant, Deloitte & Touche LLP (PCAOB ID No. 34), will be set forth in the 2022 Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this report:

1. Financial Statements: See “Index to Consolidated Financial Statements, Notes and Schedules.”
2. Financial Statement Schedules: See “Index to Consolidated Financial Statements, Notes and Schedules.”
3. Exhibits: See “Exhibit Index.”

Item 16. Form 10-K Summary

None.

GLOSSARY

Glossary of Selected Financial Terms

Term	Definition
Account value	The amount of money in a policyholder's account. The value increases with additional premiums and investment gains, and it decreases with withdrawals, investment losses and fees.
Adjusted earnings	See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP and Other Financial Disclosures."
Alternative investments	General account investments in other limited partnership interests.
Assets under management ("AUM")	General account investments and separate account assets.
Conditional tail expectation ("CTE")	A statistical tail risk measure used to assess the adequacy of assets supporting variable annuity contract liabilities, which is calculated as the average amount of total assets required to satisfy obligations over the life of the contract or policy in the worst "x%" of scenarios. Represented as CTE (100 less x). Example: CTE95 represents the five worst percent of scenarios and CTE98 represents the two worst percent of scenarios.
Credit loss on investments	The difference between the amortized cost of the security and the present value of the cash flows expected to be collected that is attributed to credit risk, is recognized as an allowance on the balance sheet with a corresponding adjustment to earnings, or if deemed uncollectible, as a permanent write-off of book value.
Deferred policy acquisition cost ("DAC")	Represents the incremental costs related directly to the successful acquisition of new and renewal insurance and annuity contracts and which have been deferred on the balance sheet as an asset.
Deferred sales inducements ("DSI")	Represent amounts that are credited to a policyholder's account balance that are higher than the expected crediting rates on similar contracts without such an inducement and that are an incentive to purchase a contract and also meet the accounting criteria to be deferred as an asset that is amortized over the life of the contract.
General account assets	All insurance company assets not allocated to separate accounts.
Invested assets	General account investments in fixed maturity securities, equity securities, mortgage loans, policy loans, other limited partnership interests, real estate limited partnerships and limited liability companies, short-term investments and other invested assets.
Investment Hedge Adjustments	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.
Market Value Adjustments	Amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets.
Net amount at risk ("NAR")	Represents the difference between a claim amount payable if a specific event occurs and the amount set aside to support the claim. The calculation of NAR can differ by policy type or guarantee.
Net investment spread	See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP and Other Financial Disclosures."
Normalized statutory earnings	See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Parent Company — Liquidity and Capital — Normalized Statutory Earnings."
Reinsurance	Insurance that an insurance company buys for its own protection. Reinsurance enables an insurance company to expand its capacity, stabilize its underwriting results, or finance its expanding volume.
Risk-based capital ("RBC") ratio	The risk-based capital ratio is a method of measuring an insurance company's capital, taking into consideration its relative size and risk profile, in order to ensure compliance with minimum regulatory capital requirements set by the National Association of Insurance Commissioners. When referred to as "combined," represents that of our insurance subsidiaries as a whole.

Total adjusted capital ("TAC")	Total adjusted capital primarily consists of statutory capital and surplus, as well as the statutory asset valuation reserve. When referred to as "combined," represents that of our insurance subsidiaries as a whole.
Value of business acquired ("VOBA")	Present value of projected future gross profits from in-force policies of acquired businesses.

Glossary of Product Terms

Accumulation phase	The phase of a variable annuity contract during which assets accumulate based on the policyholder's lump sum or periodic deposits and reinvested interest, capital gains and dividends that are generally tax-deferred.
Annuitant	The person who receives annuity payments or the person whose life expectancy determines the amount of variable annuity payments upon annuitization of a life contingent annuity.
Annuities	Long-term, tax-deferred investments designed to help investors save for retirement.
Annuitization	The process of converting an annuity investment into a series of periodic income payments, generally for life.
Annuity sales	Annuity sales consist of 100 percent of direct statutory premiums, except for fixed index annuity sales, which represents 100% of gross sales on directly written business and the proportion of assumed gross sales under reinsurance agreements. Annuity sales exclude certain internal exchanges. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity.
Benefit Base	A notional amount (not actual cash value) used to calculate the owner's guaranteed benefits within an annuity contract. The death benefit and living benefit within the same contract may not have the same Benefit Base.
Cash surrender value	The amount an insurance company pays (minus any surrender charge) to the variable annuity owner when the contract is voluntarily terminated prematurely.
Deferred annuity	An annuity purchased with premiums paid either over a period of years or as a lump sum, for which savings accumulate prior to annuitization or surrender, and upon annuitization, such savings are exchanged for either a future lump sum or periodic payments for a specified period of time or for a lifetime.
Deferred income annuity ("DIA")	An annuity that provides a pension-like stream of income payments after a specified deferral period.
Dollar-for-dollar withdrawal	A method of calculating the reduction of a variable annuity Benefit Base after a withdrawal in which the benefit is reduced by one dollar for every dollar withdrawn.
Enhanced death benefit ("EDB")	An optional benefit that locks in investment gains annually, or every few years, or pays a minimum stated interest rate on purchase payments to the beneficiary.
Fixed annuity	An annuity that guarantees a set annual rate of return with interest at rates we determine, subject to specified minimums. Credited interest rates are guaranteed not to change for certain limited periods of time.
Future policy benefits	Future policy benefits for the annuities business are comprised mainly of liabilities for life contingent income annuities, and liabilities for the variable annuity guaranteed minimum benefits accounted for as insurance.
Guaranteed minimum accumulation benefits ("GMAB")	An optional benefit (available for an additional cost) which entitles an annuitant to a minimum payment, typically in lump sum, after a set period of time, typically referred to as the accumulation period. The minimum payment is based on the Benefit Base, which could be greater than the underlying account value.
Guaranteed minimum death benefits ("GMDB")	An optional benefit (available for an additional cost) that guarantees an annuitant's beneficiaries are entitled to a minimum payment based on the Benefit Base, which could be greater than the underlying account value, upon the death of the annuitant.
Guaranteed minimum income benefits ("GMIB")	An optional benefit (available for an additional cost) where an annuitant is entitled to annuitize the policy and receive a minimum payment stream based on the Benefit Base, which could be greater than the underlying account value.
Guaranteed minimum living benefits ("GMLB")	A reference to all forms of guaranteed minimum living benefits, including GMIBs, GMWBs and GMABs (does not include GMDBs).
Guaranteed minimum withdrawal benefit for life ("GMWB4L")	An optional benefit (available for an additional cost) where an annuitant is entitled to withdraw a maximum amount of their Benefit Base each year, for the duration of the contract holder's life, regardless of account performance.

Term	Definition
Guaranteed minimum withdrawal benefit riders ("GMLB Riders")	Changes in the carrying value of GMLB liabilities, related hedges and reinsurance; the fees earned directly from the GMLB liabilities; and related DAC offsets.
Guaranteed minimum withdrawal benefits ("GMWB")	An optional benefit (available for an additional cost) where an annuitant is entitled to withdraw a maximum amount of their Benefit Base each year, for which cumulative payments to the annuitant could be greater than the underlying account value.
Guaranteed minimum benefits ("GMxB")	A general reference to all forms of guaranteed minimum benefits, inclusive of living benefits and death benefits.
Immediate annuity	An annuity for which the owner pays a lump sum and receives periodic payments immediately or soon after purchase. Single premium immediate annuities ("SPIAs") are single premium annuity products that provide a guaranteed level of income to the owner generally for a specified number of years or for the life of the annuitant.
Index-linked annuity	An annuity that provides for asset accumulation and asset distribution needs with an ability to share in the upside from certain financial markets such as equity indices, or an interest rate benchmark. The customer's account value can grow or decline due to various external financial market indices performance.
Life insurance sales	Life insurance sales consist of 100 percent of annualized new premium for term life, first-year paid premium for whole life, universal life, and variable universal life, and total paid premium for indexed universal life. We exclude company-sponsored internal exchanges, corporate-owned life insurance, bank-owned life insurance, and private placement variable universal life.
Living benefits	Optional benefits (available at an additional cost) that guarantee that the owner will get back at least his original investment when the money is withdrawn.
Mortality and expense risk fees ("M&E Fees")	Fees charged by insurance companies to compensate for the risk they take by issuing variable annuity contracts.
Net flows	Net change in customer account balances in a period including, but not limited to, new sales, full or partial exits and the net impact of clients utilizing or withdrawing their funds. It excludes the impact of markets on account balances.
Period certain annuity	An annuity that guarantees payment to the annuitant for a specified period of time and to the beneficiary if the annuitant dies before the period ends.
Policyholder account balances	Annuities: Policyholder account balances are held for fixed deferred annuities, the fixed account portion of variable annuities, and non-life contingent income annuities. Interest is credited to the policyholder's account at interest rates we determine which are influenced by current market rates, subject to specified minimums. Life Insurance Policies: Policyholder account balances are held for retained asset accounts, universal life policies and the fixed account of universal variable life insurance policies. Interest is credited to the policyholder's account at interest rates we determine which are influenced by current market rates, subject to specified minimums.
Rider	An optional feature or benefit that a variable annuity contract holder can purchase at an additional cost.
Roll-up rate	The guaranteed percentage that the Benefit Base increases by each year.
Separate account	An insurance company account, legally segregated from the general account, that holds the contract assets or subaccount investments that can be actively or passively managed and invest in stock, bonds or money market portfolios.
Step-up	An optional variable annuity feature (available at an additional cost) that can increase the Benefit Base amount if the variable annuity account value is higher than the Benefit Base on specified dates.
Surrender charge	A fee paid by a contract owner for the early withdrawal of an amount that exceeds a specific percentage or for cancellation of the contract within a specified amount of time after purchase.
Term life	Life insurance that provides a fixed death benefit in exchange for a guaranteed level premium over a specified period of time, usually ten to thirty years. Generally, term life insurance does not include any cash value, savings or investment components.

Universal life	Life insurance that provides a death benefit in return for payment of specified annual policy charges that are generally related to specific costs, which may change over time. To the extent that the policyholder chooses to pay more than the charges required in any given year to keep the policy in-force, the excess premium will be placed into the account value of the policy and credited with a stated interest rate on a monthly basis.
Variable annuity	An annuity that offers guaranteed periodic payments for a specified period of time or for a lifetime and gives owners the ability to invest in various markets though the underlying investment options, which may result in potentially higher, but variable, returns.
Variable universal life	Universal life insurance where the excess amount paid over policy charges can be directed by the policyholder into a variety of separate account investment options. In the separate account investment options, the policyholder bears the entire risk and returns of the investment results.
Whole life	Life insurance that provides a guaranteed death benefit in exchange for a guaranteed level premium for a specified period of time in order to maintain coverage for the life of the insured. Whole life products also have guaranteed minimum cash surrender values. Although the primary purpose is protection, the policyholder can withdraw or borrow against the policy (sometimes on a tax favored basis).

Exhibit Index

*(**Note Regarding Reliance on Statements in Our Contracts:** In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, 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 in this Annual Report on Form 10-K 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
2.1	Master Separation Agreement, dated as of August 4, 2017, by and between MetLife, Inc. and Brighthouse Financial, Inc., is incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, filed on August 9, 2017 (our "August 9, 2017 8-K").
3.1	Amended and Restated Certificate of Incorporation of Brighthouse Financial, Inc., is incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q, filed on August 15, 2017.
3.1.1	Certificate of Designations of Brighthouse Financial, Inc. with respect to the 6.600% Non-Cumulative Preferred Stock, Series A, dated March 20, 2019, filed with the Secretary of State of the State of Delaware and effective March 20, 2019 (the "Series A Certificate of Designations") is incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed March 25, 2019 (our "March 25, 2019 8-K").
3.1.2	Certificate of Designations of Brighthouse Financial, Inc. with respect to the 6.750% Non-Cumulative Preferred Stock, Series B, dated May 19, 2020, filed with the Secretary of State of the State of Delaware and effective May 19, 2020 (the "Series B Certificate of Designations"), is incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed on May 21, 2020 (our "May 21, 2020 8-K").
3.1.3	Certificate of Designations of Brighthouse Financial, Inc. with respect to the 5.375% Non-Cumulative Preferred Stock, Series C, dated November 18, 2020, filed with the Secretary of State of the State of Delaware and effective November 18, 2020 (the "Series C Certificate of Designations"), is incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed on November 20, 2020 (our "November 20, 2020 8-K").
3.1.4	Certificate of Designations of Brighthouse Financial, Inc. with respect to the 4.625% Non-Cumulative Preferred Stock, Series D, dated November 18, 2021, filed with the Secretary of State of the State of Delaware and effective November 18, 2021 (the "Series D Certificate of Designations"), is incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed on November 22, 2021 (our "November 22, 2021 8-K").
3.2	Amended and Restated Bylaws of Brighthouse Financial, Inc., is incorporated by reference to Exhibit 3.2 to our Quarterly Report on Form 10-Q, filed on August 15, 2017.
4.1	Indenture, dated as of June 22, 2017, among Brighthouse Financial, Inc., MetLife, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, is incorporated by reference to Exhibit 4.1 to Amendment No. 4 to our Registration Statement on Form 10, filed on June 23, 2017.
4.2	Form of 3.700% Senior Note due 2027 and 4.700% Senior Note due 2047 (included in Exhibit B to Exhibit 4.1).
4.3	Senior Indenture, dated as of May 15, 2020, between Brighthouse Financial, Inc. and U.S. Bank National Association, as Trustee, is incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K, filed on May 15, 2020 (our "May 15, 2020 8-K").
4.3.1	First Supplemental Indenture, dated as of May 15, 2020, between Brighthouse Financial, Inc. and U.S. Bank National Association, as Trustee, is incorporated by reference to Exhibit 4.2 to our May 15, 2020 8-K.
4.3.2	Second Supplemental Indenture, dated as of November 22, 2021, between Brighthouse Financial, Inc. and U.S. Bank National Association, as Trustee, is incorporated by reference to Exhibit 4.2 to our November 22, 2021 8-K.
4.4	Form of 5.625% Senior Notes due 2030 (included in Exhibit A to Exhibit 4.3.1).
4.5	Form of 3.850% Senior Notes Due 2051 (included in Exhibit A to 4.3.2).
4.6	Junior Subordinated Indenture, dated as of September 12, 2018, between Brighthouse Financial, Inc. and U.S. Bank National Association, as Trustee, is incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K, filed on September 12, 2018 (our "September 12, 2018 8-K").

4.6.1	First Supplemental Indenture, dated as of September 12, 2018, between Brighthouse Financial, Inc. and U.S. Bank National Association, as Trustee, is incorporated by reference to Exhibit 4.2 to our September 12, 2018 8-K.
4.7	Form of Junior Subordinated Debenture (included in Exhibit A to Exhibit 4.6.1).
4.8	Series A Certificate of Designations is incorporated by reference to Exhibit 4.1 to our March 25, 2019 8-K.
4.9	Series B Certificate of Designations, is incorporated by reference to Exhibit 4.1 to our May 21, 2020 8-K.
4.10	Series C Certificate of Designations, is incorporated by reference to Exhibit 4.1 to our November 20, 2020 8-K.
4.11	Series D Certificate of Designations, is incorporated by reference to Exhibit 4.4 to our November 22, 2021 8-K.
4.12	Deposit Agreement, dated as of March 25, 2019, among Brighthouse Financial, Inc., Computershare Inc. and Computershare Trust Company, N.A., collectively as depositary, and the holders from time to time of the depositary receipts described therein is incorporated by reference to Exhibit 4.2 to our March 25, 2019 8-K.
4.13	Deposit Agreement, dated as of May 21, 2020, among Brighthouse Financial, Inc., Computershare Inc. and Computershare Trust Company, N.A., collectively as depositary, and the holders from time to time of the depositary receipts described therein, is incorporated by reference to Exhibit 4.2 to our May 21, 2020 8-K.
4.14	Deposit Agreement, dated as of November 20, 2020, among Brighthouse Financial, Inc., Computershare Inc. and Computershare Trust Company, N.A., collectively as depositary, and the holders from time to time of the depositary receipts described therein, is incorporated by reference to Exhibit 4.2 to our November 20, 2020 8-K.
4.15	Deposit Agreement, dated as of November 22, 2021, among Brighthouse Financial, Inc., Computershare Inc. and Computershare Trust Company, N.A., collectively as depositary, and the holders from time to time of the depositary receipts described therein, is incorporated by reference to Exhibit 4.5 to our November 22, 2021 8-K.
4.16	Form of depositary receipt evidencing the Series A Depositary Shares (included as Exhibit A to Exhibit 4.12).
4.17	Form of depositary receipt evidencing the Series B Depositary Shares (included as Exhibit A to Exhibit 4.13).
4.18	Form of depositary receipt evidencing the Series C Depositary Shares (included as Exhibit A to Exhibit 4.14).
4.19	Form of depositary receipt evidencing the Series D Depositary Shares (included as Exhibit A to Exhibit 4.15).
4.20*	Description of Securities.
10.1	Transition Services Agreement, dated as of January 1, 2017, between MetLife Services and Solutions, LLC and Brighthouse Services, LLC and for purposes of Article VIII only, MetLife, Inc. and Brighthouse Financial, Inc., is incorporated by reference to Exhibit 10.1 to our August 9, 2017 8-K.
10.2	Tax Receivables Agreement, dated as of July 27, 2017, between MetLife, Inc. and Brighthouse Financial, Inc., is incorporated by reference to Exhibit 10.5 to our August 9, 2017 8-K.
10.3	Tax Separation Agreement, dated as of July 27, 2017, by and among MetLife, Inc. and its Affiliates and Brighthouse Financial, Inc. and its Affiliates, is incorporated by reference to Exhibit 10.6 to our August 9, 2017 8-K.
10.4	Amended and Restated Revolving Credit Agreement, dated as of May 7, 2019, among Brighthouse Financial, Inc., JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders party thereto is incorporated by reference to Exhibit 10.8 to our Quarterly Report on Form 10-Q, filed on May 7, 2019.
10.5#	Brighthouse Services, LLC Auxiliary Savings Plan, is incorporated by reference to Exhibit 10.8 to our Quarterly Report on Form 10-Q, filed on August 15, 2017.
10.5.1#	Amendment Number One to the Brighthouse Services, LLC Auxiliary Savings Plan, is incorporated by reference to Exhibit 10.9 to our Quarterly Report on Form 10-Q, filed on August 15, 2017.
10.5.2#	Amendment Number Two to the Brighthouse Services, LLC Auxiliary Savings Plan, is incorporated by reference to Exhibit 10.9.2 to our Annual Report on Form 10-K, filed on March 16, 2018 (our “2017 Annual Report”).
10.5.3#	Amendment Number Three to the Brighthouse Services, LLC Auxiliary Savings Plan is incorporated by reference to Exhibit 10.5.3 to our Annual Report on Form 10-K, filed on February 24, 2021 (our “2020 Annual Report”).
10.6#	Amended and Restated Brighthouse Services, LLC Short-Term Incentive Plan, amended as of February 21, 2020, is incorporated by reference to Exhibit 10.8 to our Annual Report on Form 10-K, filed February 26, 2020 (our “2019 Annual Report”).
10.7#	Brighthouse Services, LLC Voluntary Deferred Compensation Plan, effective January 1, 2018, is incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on December 28, 2017.
10.7.1#	Amendment Number One to the Brighthouse Services, LLC Voluntary Deferred Compensation Plan is incorporated by reference to Exhibit 10.11.1 to our 2017 Annual Report.

10.7.2#	Amendment Number Two to the Brighthouse Services, LLC Voluntary Deferred Compensation Plan is incorporated by reference to Exhibit 10.10.2 to our Annual Report on Form 10-K, filed February 26, 2019 (our "2018 Annual Report").
10.7.3#	Amendment Number Three to the Brighthouse Services, LLC Voluntary Deferred Compensation Plan is incorporated by reference to Exhibit 10.7.3 to our 2020 Annual Report.
10.8#	Brighthouse Financial, Inc. 2017 Stock and Incentive Compensation Plan, as amended November 14, 2019 (the "Employee Plan"), is incorporated by reference to Exhibit 10.10 to our 2019 Annual Report.
10.9#	Brighthouse Financial, Inc. 2017 Non-Management Director Stock Compensation Plan, as amended November 16, 2018 (the "Director Plan") is incorporated by reference to Exhibit 10.12 to our 2018 Annual Report.
10.10#	Brighthouse Financial, Inc. Employee Stock Purchase Plan (restated effective March 25, 2020), is incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q, filed on August 7, 2020
10.11#	Form of Performance Share Unit Agreement (Employee Plan) is incorporated by reference to Exhibit 10.15 to our 2018 Annual Report.
10.12#	Form of Restricted Stock Unit Agreement (Employee Plan) for awards with ratable vesting is incorporated by reference to Exhibit 10.17 to our 2018 Annual Report.
10.13#	Form of Restricted Stock Unit Agreement (Employee Plan) for awards with cliff vesting is incorporated by reference to Exhibit 10.18 to our 2018 Annual Report.
10.14#	Form of Non-Qualified Stock Option Agreement (Employee Plan) for awards granted before February 13, 2019 is incorporated by reference to Exhibit 10.6 to our May 24, 2018 8-K.
10.15#	Form of Non-Qualified Stock Option Agreement (Employee Plan) for awards granted on or after February 13, 2019 is incorporated by reference to Exhibit 10.20 to our 2018 Annual Report.
10.16#	Award Agreement Supplement (Employee Plan) for awards with ratable vesting is incorporated by reference to Exhibit 10.22 to our 2018 Annual Report.
10.17#	Award Agreement Supplement (Employee Plan) for awards with cliff vesting is incorporated by reference to Exhibit 10.23 to our 2018 Annual Report.
10.18#	Form of Non-Management Director Restricted Stock Unit Agreement (Director Plan), as amended November 14, 2019, is incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q, filed on May 11, 2020.
10.19#	Form of Non-Management Director Award Agreement Supplement (Director Plan), as amended November 14, 2019, is incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q, filed on May 11, 2020.
10.20#	Brighthouse Financial Blue Relocation Policy, as amended July 1, 2019, is incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q, filed on August 6, 2019.
10.21#	Brighthouse Services, LLC Amended and Restated Executive Severance Pay Plan is incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on November 19, 2019.
10.22#	Brighthouse Services, LLC Change of Control Severance Pay Plan is incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on November 16, 2018.
10.23#	Brighthouse Services, LLC Limited Death Benefit Plan is incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on December 23, 2019.
10.24#	Brighthouse Services, LLC Deferred Compensation Plan for Non-Management Directors, is incorporated by reference to Exhibit 10.32 to our 2019 Annual Report.
10.25#	Offer Letter, dated as of July 24, 2019, between Brighthouse Services, LLC and Edward Spehar is incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed July 24, 2019.
21.1*	List of Subsidiaries as of December 31, 2021.
23.1*	Consent of Deloitte & Touche LLP.
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 Annual Report on Form 10-K for the year ended December 31, 2021, formatted in Inline XBRL (included within the Exhibit 101 attachments).

* Filed herewith.

** Furnished herewith.

# Denotes management contracts or compensation plans or arrangements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

Date: February 24, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Eric T. Steigerwalt Eric T. Steigerwalt	Director, President and Chief Executive Officer (Principal Executive Officer)	February 24, 2022
/s/ Edward A. Spehar Edward A. Spehar	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 24, 2022
/s/ Kristine H. Toscano Kristine H. Toscano	Chief Accounting Officer (Principal Accounting Officer)	February 24, 2022
/s/ Irene Chang Britt Irene Chang Britt	Director	February 24, 2022
/s/ C. Edward Chaplin C. Edward Chaplin	Chairman of the Board of Directors	February 24, 2022
/s/ Stephen C. Hooley Stephen C. Hooley	Director	February 24, 2022
/s/ Carol D. Juel Carol D. Juel	Director	February 24, 2022
/s/ Eileen A. Mallesch Eileen A. Mallesch	Director	February 24, 2022
/s/ Diane E. Offereins Diane E. Offereins	Director	February 24, 2022
/s/ Patrick J. Shouvlin Patrick J. Shouvlin	Director	February 24, 2022
/s/ Paul M. Wetzel Paul M. Wetzel	Director	February 24, 2022

Exhibit 4.20

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Brighthouse Financial, Inc. ("Brighthouse Financial," the "Company," "we," "our" or "us") has six outstanding classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (i) common stock, par value $0.01 per share (the "Common Stock"), (ii) Depositary Shares (the "Series A Depositary Shares"), each representing a 1/1,000th interest in a share of 6.600% Non-Cumulative Preferred Stock, Series A of Brighthouse Financial, Inc. (the "Series A Preferred Stock"), (iii) Depositary Shares (the "Series B Depositary Shares"), each representing a 1/1,000th interest in a share of 6.750% Non-Cumulative Preferred Stock, Series B of Brighthouse Financial, Inc. (the "Series B Preferred Stock"), (iv) Depositary Shares (the "Series C Depositary Shares"), each representing a 1/1,000th interest in a share of 5.375% Non-Cumulative Preferred Stock, Series C of Brighthouse Financial, Inc. (the "Series C Preferred Stock"),(v) Depositary Shares (the "Series D Depositary Shares"), each representing a 1/1,000th interest in a share of 4.625% Non-Cumulative Preferred Stock, Series D of Brighthouse Financial, Inc. (the "Series D Preferred Stock") and (vi) 6.250% Junior Subordinated Debentures due 2058 (the "2058 Debentures").

DESCRIPTION OF COMMON STOCK

The following description of our Common Stock is a summary and does not purport to be complete. It is subject to, and qualified in its entirety by reference to, our Amended and Restated Certificate of Incorporation ("Certificate of Incorporation"), our Amended and Restated Bylaws ("Bylaws") and the General Corporation Law of the State of Delaware (the "DGCL"), which define the rights of holders of our Common Stock. You should read our Certificate of Incorporation and Bylaws and the provisions of the DGCL for a full description of the terms of our Common Stock. Our Certificate of Incorporation and Bylaws are filed as exhibits to the Annual Report on Form 10-K of which this exhibit is a part and incorporated by reference herein.

Authorized Common Stock

Our authorized Common Stock consists of 1,000,000,000 shares, par value $0.01 per share. As of February 18, 2022, we had 76,630,436 shares of Common Stock outstanding.

Dividend Rights

Subject to the rights, if any, of the holders of any outstanding series of our preferred stock, holders of our Common Stock are entitled to receive dividends out of any of our funds legally available therefor when, as and if declared by the board of directors of the Company (the "Board") at its discretion.

Voting Rights

Each holder of our Common Stock is entitled to one vote per share on all matters submitted to a vote of the stockholders, including the election of directors, and, subject to

preferences that may be applicable to any outstanding series of preferred stock as provided in any preferred stock certificate of designation approved by the Board, the holders of our Common Stock possess all voting power. Except as required by applicable law or the rules and regulations of any stock exchange applicable to the Company and except with respect to the election of directors, the amendment of certain provisions of our Certificate of Incorporation and the amendment of our Bylaws, all matters to be voted on by stockholders at a meeting at which a quorum is present must be approved by the affirmative vote of a majority of the voting power of the shares of stock present in person or represented by proxy at the meeting and entitled to vote thereon. The election of directors at a meeting at which a quorum is present is determined by a plurality of the votes cast in respect of the shares present in person or represented by proxy at the meeting and entitled to vote, meaning that the nominees with the greatest number of votes received, even if less than a majority, will be elected. Our Bylaws provide that in an uncontested election any director who receives a greater number of votes "withheld" than votes cast in favor of his or her election shall tender his or her resignation from the Board to the Nominating and Corporate Governance Committee of the Board. The Nominating and Corporate Governance Committee of the Board would then recommend to the Board whether to accept or reject such resignation and the Board would publicly disclose its decision in regard to such resignation.

Liquidation

If we liquidate, dissolve or wind up our affairs, holders of our Common Stock are entitled to share proportionately in the assets available for distribution to stockholders after the payment of all of our debt and other liabilities, subject to the rights, if any, of the holders of any outstanding series of our preferred stock.

Other Rights

Holders of our Common Stock have no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to the Common Stock. All outstanding shares of our Common Stock are fully paid and non-assessable. The rights, preferences and privileges of the holders of our Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that our Board may designate and issue.

Listing

Our Common Stock is listed on The Nasdaq Stock Market LLC ("Nasdaq") under the symbol "BHF".

Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is Computershare Trust Company, N.A.

Certain Anti-Takeover Provisions of Our Certificate of Incorporation, Our Bylaws and Applicable Law

Certain provisions of our Certificate of Incorporation and Bylaws may discourage or make more difficult a takeover attempt that a stockholder might consider in his or her best interest. These provisions may also adversely affect prevailing market prices for our Common Stock.

Removal. Our Certificate of Incorporation provides that stockholders may remove our directors with or without cause by the holders of at least two-thirds of the outstanding stock entitled to vote generally in the election of directors.

Size of Board and Vacancies. Our Certificate of Incorporation and Bylaws provide that the number of directors will be fixed exclusively by the Board; *provided*, *however*, that in no event shall such number of directors be less than three nor more than fifteen. Subject to any rights granted to the holders of shares of any series of preferred stock then outstanding, and except as otherwise expressly required by applicable law, any newly created directorships created on our Board resulting from any increase in the authorized number of directors or any vacancies resulting from death, resignation, retirement, disqualification, removal from office or other cause will be filled by a majority of the directors then in office, even if less than a quorum, or by the sole remaining director. Any director appointed to fill a vacancy on our Board shall hold office for the remainder of the term of the class, if any, that such director has been appointed to and until his or her successor has been elected and qualified or until such director's earlier death, resignation, retirement, disqualification or removal.

Stockholder Action by Written Consent. Our Certificate of Incorporation prohibits our stockholders from acting by written consent. Stockholder action may only take place at a duly called annual or special meeting of our stockholders.

Requirements for Advance Notification of Stockholder Nominations and Proposals. Our Bylaws establish advance notice procedures with respect to stockholder proposals and nomination of candidates for election as directors.

No Cumulative Voting. Our Certificate of Incorporation does not provide for cumulative voting.

Undesignated Preferred Stock. The authority that our Board possesses to issue preferred stock could potentially be used to discourage attempts by third parties to obtain control of us through a merger, tender offer, proxy contest or otherwise by making such attempts more difficult. Our Board can issue preferred stock with voting rights or conversion rights that, if exercised, could dilute the voting power of the holders of Common Stock.

Amendments to Bylaws. Our Certificate of Incorporation and Bylaws provide that in addition to any other vote of the holders of any particular class or series of the capital stock of the Company that may be required, our Bylaws may only be amended by our Board or by the

affirmative vote of holders of at least two-thirds in voting power of the issued and outstanding voting stock entitled to vote thereon, voting together as a single class.

Amendments to Charter. Our Certificate of Incorporation provides that in addition to any other vote of the holders of any particular class or series of the capital stock of the Company that may be required, certain charter provisions may only be amended by the affirmative vote of holders of at least two-thirds in voting power of the issued and outstanding voting stock entitled to vote thereon, voting together as a single class.

Section 203 of the Delaware General Corporation Law. As a Delaware corporation, we are subject to Section 203 of the DGCL. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a three-year period following the time that such stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. A “business combination” includes, among other things, a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. An “interested stockholder” is a person who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested stockholder status, 15% or more of the corporation’s voting stock. Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless one of the following conditions is satisfied:

- before the stockholder became an interested stockholder, the Board approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding, for purposes of determining the voting stock outstanding, shares owned by persons who are directors and officers; or

- at or after the time the stockholder became interested, the business combination was approved by the Board and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

This provision is expected to have an anti-takeover effect with respect to transactions not approved in advance by our Board, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by our stockholders.

Insurance Regulations. The insurance laws and regulations of the various states in which our insurance subsidiaries are organized may delay or impede a business combination involving us. State insurance laws prohibit an entity from acquiring control of an insurance company without the prior approval of the domestic insurance regulator. Under most states’ statutes, an

entity is presumed to have control of an insurance company if it owns, directly or indirectly, 10% or more of the voting stock of that insurance company or its parent company. These regulatory restrictions may delay, deter or prevent a potential merger or sale of our company, even if the Board decides that it is in the best interests of stockholders for us to merge or be sold. These restrictions also may delay sales by us or acquisitions by third parties of our subsidiaries.

Choice of Forum

Our Certificate of Incorporation provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any (i) derivative action or proceeding brought on our behalf, (ii) action asserting a claim of breach of a fiduciary duty owed to us or our stockholders by any of our current or former directors, officers or stockholders, (iii) action asserting a claim arising out of or pursuant to the DGCL or our Certificate of Incorporation or our Bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware, or (iv) action asserting a claim governed by the internal affairs doctrine. By becoming a stockholder in our company, you will be deemed to have notice of and have consented to the provisions of our Certificate of Incorporation related to choice of forum.

Limitation of Liability and Indemnification of Directors and Officers

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties as directors and our Certificate of Incorporation includes such an exculpation provision. Our Certificate of Incorporation provides that, to the fullest extent permitted by the DGCL as it now exists or may hereafter be amended, none of our directors will be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director. Under the DGCL as it now reads, such limitation of liability is not permitted:

- for any breach of the director's duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- for payments of unlawful dividends or unlawful stock purchases or redemptions under Section 174 of the DGCL; or
- for any transaction from which the director derived an improper personal benefit.

These provisions have no effect on the availability of equitable remedies such as an injunction or rescission based on a director's breach of his or her duty of care.

Our Certificate of Incorporation and our Bylaws include provisions that require us to indemnify and advance expenses, to the fullest extent allowable under the DGCL as it now exists or may hereafter be amended, to our directors or officers for actions taken as a director or officer

of us, or for serving at our request as a director or officer at another corporation or enterprise, as the case may be.

Section 145 of the DGCL provides that a corporation may indemnify directors and officers, as well as other employees and individuals, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement, that are incurred in connection with various actions, suits or proceedings, whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation, known as a derivative action, if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, if they had no reasonable cause to believe their conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses, including attorneys' fees, incurred in connection with the defense or settlement of such actions, and the statute requires court approval before there can be any indemnification if the person seeking indemnification has been found liable to the corporation. The statute provides that it is not exclusive of other indemnification that may be granted by a corporation's bylaws, disinterested director vote, stockholder vote, agreement or otherwise.

Our Bylaws require us to indemnify any person who was or is a party or is threatened to be made a party to, or was otherwise involved in, a legal proceeding by reason of the fact that he or she is or was a director or officer of Brighthouse Financial or is or was serving at our request as a director or officer of another corporation or enterprise, as the case may be, to the fullest extent authorized by the DGCL as it now exists or may hereafter be amended, against all expense, liability and loss (including attorneys' fees, judgments, fines, Employee Retirement Income Security Act excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such director or officer in connection with such service. The right to indemnification in our Bylaws includes the right to be paid by Brighthouse Financial the expenses incurred in defending any proceeding for which indemnification may be sought in advance of the final disposition of such proceeding, subject to certain limitations. We carry directors' and officers' insurance protecting us, any director, officer, employee or agent of ours or who was serving at our request as a director, officer, employee or agent of another corporation or enterprise, as the case may be, against any expense, liability or loss, whether or not we would have the power to indemnify the person under the DGCL.

The limitation of liability and indemnification and advancement provisions in our Certificate of Incorporation and our Bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of fiduciary duty. These provisions also may reduce the likelihood of derivative litigation against our directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders.

DESCRIPTION OF SERIES A DEPOSITARY SHARES

The following description of the Series A Depositary Shares, each representing a 1/1,000th interest in a share of 6.600% Non-Cumulative Preferred Stock, Series A and the Series A Preferred Stock underlying the Series A Depositary Shares does not purport to be complete. It

is subject to, and qualified in its entirety by reference to, our Certificate of Incorporation, the Certificate of Designations creating the Series A Preferred Stock (the “Series A Certificate of Designations”), the Deposit Agreement, dated as of March 25, 2019 (the “Series A Deposit Agreement”), among the Company, Computershare Inc. and Computershare Trust Company, N.A., collectively as depositary (the “Depositary”) and the holders from time to time of the depositary receipts described therein, and by the relevant sections of the DGCL. You should read our Certificate of Incorporation, the Series A Certificate of Designations and the Series A Deposit Agreement for a full description of the terms of the Series A Depositary Shares and the underlying Series A Preferred Stock. The Certificate of Incorporation, the Series A Certificate of Designations and the Series A Deposit Agreement are filed as exhibits to the Annual Report on Form 10-K of which this exhibit is a part and incorporated by reference herein.

General

As of February 18, 2022, we had 17,000,000 Series A Depositary Shares outstanding. The Depositary is the sole holder of the Series A Preferred Stock, and all references to the holders of the Series A Preferred Stock shall mean the Depositary. However, holders of the Series A Depositary Shares are entitled through the Depositary to exercise the rights and preferences of the Series A Preferred Stock.

References to the holders of the Series A Depositary Shares mean those who own the Series A Depositary Shares registered in their own names, on the books that we or the Depositary maintain for this purpose, and not indirect holders who own beneficial interests in the Series A Depositary Shares registered in street name or issued in book-entry form through The Depository Trust Company (“DTC”). Subject to the terms of the Series A Deposit Agreement, each holder of Series A Depositary Shares is entitled, through the Depositary, in proportion to the applicable fraction of a share of the Series A Preferred Stock represented by such Series A Depositary Shares, to all the rights and preferences of the Series A Preferred Stock represented thereby (including dividend, voting, redemption and liquidation rights).

Series A Preferred Stock

Authorized Preferred Stock

Our authorized preferred stock consists of 100,000,000 shares, par value $0.01 per share. As of February 18, 2022, we had 70,100 total shares of preferred stock outstanding, of which 17,000 shares were Series A Preferred Stock. The “stated amount” per share of Series A Preferred Stock is $25,000.

Fungibility

We may from time to time, without notice to or the consent of holders of the Series A Depositary Shares and the underlying Series A Preferred Stock, issue additional Series A Preferred Stock and the related Series A Depositary Shares; *provided* that we will only issue additional Series A Preferred Stock and Series A Depositary Shares if they are fungible for tax

purposes with the originally issued Series A Preferred Stock and Series A Depositary Shares. The additional shares of Series A Preferred Stock and the related Series A Depositary Shares would be deemed to form a single series with the originally issued Series A Preferred Stock and the related Series A Depositary Shares, respectively. Each share of Series A Preferred Stock shall be identical in all respects to every other share of Series A Preferred Stock, except that shares of Series A Preferred Stock issued after March 25, 2019 shall accrue dividends from the date determined by our Board (or a duly authorized committee thereof).

General

The Series A Preferred Stock is not be convertible into, or exchangeable for, shares of any other class or series of stock or other securities of Brighthouse Financial or our subsidiaries. The Series A Preferred Stock has no stated maturity and will not be subject to any sinking fund, retirement fund or purchase fund or other obligation of ours to redeem, repurchase or retire the Series A Preferred Stock. The Series A Preferred Stock is issued in uncertificated form.

Transfer Agent and Registrar

Computershare Trust Company, N.A. is the transfer agent, registrar and dividend disbursing agent for the Series A Preferred Stock.

Dividends

Each dividend on a Series A Depositary Share is in an amount equal to 1/1,000th of the dividend declared on each share of the Series A Preferred Stock, except that the amounts distributed to holders of the Series A Depositary Shares will be reduced by any amounts required to be withheld by the Depositary or by us on account of taxes or other governmental charges.

We pay dividends on the Series A Preferred Stock only when, as and if declared by the Board (or a duly authorized committee thereof), out of funds legally available for the payment of dividends. Any such dividends are payable, at a rate of 6.600% per annum, on a non-cumulative basis from the date of original issue, quarterly in arrears on the 25th day of March, June, September and December of each year (each, a “Series A Dividend Payment Date”), commencing on June 25, 2019. Series A Dividend Payment Dates are subject to adjustment for business days.

Dividends are payable to holders of record of the Series A Preferred Stock as they appear on our books on the applicable record date, which shall be the 15th calendar day before that Series A Dividend Payment Date or such other record date fixed by our Board (or a duly authorized committee thereof) that is not more than 60 nor less than 10 days prior to such Series A Dividend Payment Date (each, a “Series A Dividend Record Date”). Dividend record dates will apply regardless of whether a particular Series A Dividend Record Date is a business day.

A “Series A Dividend Period” is the period from, and including, a Series A Dividend Payment Date to, but excluding, the next Series A Dividend Payment Date. Dividends on the

Series A Preferred Stock are not cumulative and are not mandatory. Accordingly, if the Board (or a duly authorized committee thereof) has not declared a dividend in respect of any Series A Dividend Period, we have no obligation to pay dividends accrued for such Series A Dividend Period on or after the Series A Dividend Payment Date for that Series A Dividend Period, whether or not dividends on the Series A Preferred Stock are declared for any future Series A Dividend Period.

During any Series A Dividend Period, so long as any Series A Preferred Stock remains outstanding, unless the full dividends for the latest completed Series A Dividend Period on all outstanding Series A Preferred Stock and parity stock (as defined in this Description of Series A Depositary Shares, including the Series B Preferred Stock and the Series C Preferred Stock) have been declared and paid, or declared and a sum sufficient for the payment thereof has been set aside:

- no dividend shall be paid or declared on our Common Stock or other junior stock (as defined in this Description of Series A Depositary Shares) (other than a dividend payable solely in stock that ranks junior to the Series A Preferred Stock as to the payment of dividends and as to the distribution of assets on any liquidation, dissolution or winding-up of Brighthouse Financial); and

- no monies may be paid or made available for a sinking fund for the redemption or retirement of junior stock, nor shall any Common Stock or other junior stock be purchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than as a result of the reclassification of such junior stock, or the exchange or conversion of one share of such junior stock, in each case, for or into another share of stock that ranks junior to the Series A Preferred Stock as to the payment of dividends and as to the distribution of assets on any liquidation, dissolution or winding-up of Brighthouse Financial).

For any Series A Dividend Period in which dividends are not paid in full upon the Series A Preferred Stock or any parity stock (including the Series B Preferred Stock and the Series C Preferred Stock), all dividends declared for such Series A Dividend Period with respect to the Series A Preferred Stock and such parity stock shall be declared on a pro rata basis.

As used in this Description of Series A Depositary Shares, “junior stock” means our Common Stock, and any other class or series of our capital stock that ranks junior to the Series A Preferred Stock either as to the payment of dividends (whether such dividends are cumulative or non-cumulative) or as to the distribution of assets upon any liquidation, dissolution or winding-up of Brighthouse Financial.

As used in this Description of Series A Depositary Shares, “parity stock” means the Series B Preferred Stock, the Series C Preferred Stock and any other class or series of our stock that ranks equally with the Series A Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) and in the distribution of assets on any liquidation, dissolution or winding-up of Brighthouse Financial.

Liquidation Rights

Upon any voluntary or involuntary liquidation, dissolution or winding-up of Brighthouse Financial, holders of the Series A Preferred Stock and any parity stock (including the Series B Preferred Stock and the Series C Preferred Stock) are entitled to receive, out of our assets or proceeds thereof (whether capital or surplus) available for distribution to stockholders, after satisfaction of liabilities and obligations to our creditors, if any, before any distribution of such assets or payment out of our assets may be made or set aside for holders of Common Stock and any other junior stock, a liquidating distribution in the amount of $25,000 per share of Series A Preferred Stock (equivalent to $25.00 per Series A Depositary Share), plus declared and unpaid dividends, without accumulation of any undeclared dividends. Holders of the Series A Preferred Stock will not be entitled to any other amounts from us after they have received their full liquidation preference (as defined in this Description of Series A Depositary Shares).

In any such distribution, if our assets are not sufficient to pay the liquidation preferences in full to all holders of the Series A Preferred Stock and all holders of any parity stock, the amounts paid to the holders of Series A Preferred Stock and to the holders of any parity stock will be paid pro rata in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the “liquidation preference” of any holder of preferred stock means the amount payable to such holder in such distribution (assuming no limitation on our assets available for such distribution), including any declared but unpaid dividends (and any unpaid, accrued cumulative dividends in the case of any holder of stock (other than Series A Preferred Stock) on which dividends accrue on a cumulative basis, whether or not declared, as applicable). If the liquidation preference has been paid in full to all holders of the Series A Preferred Stock and all holders of parity stock, the holders of our junior stock shall be entitled to receive all remaining assets of Brighthouse Financial (or proceeds thereof) according to their respective rights and preferences.

Optional Redemption

If we redeem the Series A Preferred Stock represented by the Series A Depositary Shares, in whole or in part, a corresponding number of Series A Depositary Shares will be redeemed from the proceeds received by the Depositary resulting from the redemption of the Series A Preferred Stock held by the Depositary. The redemption price per Series A Depositary Share will be equal to 1/1,000th of the redemption price per share payable with respect to the Series A Preferred Stock, plus an amount equal to any dividends thereon that, pursuant to the provisions of the Series A Certificate of Designations, are payable upon redemption. Whenever we redeem shares of the Series A Preferred Stock held by the Depositary, the Depositary will redeem, as of the same date of redemption, the number of the Series A Depositary Shares representing shares of the Series A Preferred Stock so redeemed.

The Series A Preferred Stock is not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or other similar provisions. We may redeem the shares of Series A Preferred Stock at our option:

- in whole, but not in part, at any time prior to March 25, 2024 (within 90 days after the occurrence of a "rating agency event" (as defined in this Description of Series A Depositary Shares)) at a redemption price equal to $25,500 per share of Series A Preferred Stock (equivalent to $25.50 per Series A Depositary Share), plus (except as provided below) an amount equal to any dividends per share that have accrued but not been declared and paid for the then-current Series A Dividend Period to, but excluding, the date of redemption; or

- (i) in whole, but not in part, at any time prior to March 25, 2024 (within 90 days after the occurrence of a "regulatory capital event" (as defined in this Description of Series A Depositary Shares)) or (ii) on or after March 25, 2024, in whole at any time or in part from time to time, in each case, at a redemption price equal to $25,000 per share of Series A Preferred Stock (equivalent to $25.00 per Series A Depositary Share), plus (except as provided below) an amount equal to any dividends per share that have accrued but not been declared and paid for the then-current Series A Dividend Period to, but excluding, the date of redemption.

Any declared but unpaid dividends payable on a date of redemption that occurs subsequent to the Series A Dividend Record Date for a Series A Dividend Period will not constitute a part of, or be paid to, the holder entitled to receive the redemption price on the date of redemption, but rather will be paid to the holder of record of the redeemed shares on the Series A Dividend Record Date relating to such Series A Dividend Payment Date.

Holders of the shares of Series A Preferred Stock do not have the right to require the redemption or repurchase of the Series A Preferred Stock.

"Rating agency event" means that any nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act, that then publishes a rating for us (a "rating agency") amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Series A Preferred Stock, which amendment, clarification or change results in:

- the shortening of the length of time the Series A Preferred Stock are assigned a particular level of equity credit by that rating agency as compared to the length of time they would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the Series A Preferred Stock; or

- the lowering of the equity credit (including up to a lesser amount) assigned to the Series A Preferred Stock by that rating agency as compared to the equity credit

assigned by that rating agency or its predecessor on the initial issuance of the Series A Preferred Stock.

"Regulatory capital event" means that we become subject to capital adequacy supervision by a capital regulator and the capital adequacy guidelines that apply to us as a result of being so subject set forth criteria pursuant to which the aggregate stated amount of the Series A Preferred Stock would not qualify as capital under such capital adequacy guidelines, as we may determine at any time, in our sole discretion.

The Depositary will mail (or otherwise transmit by an authorized method) notice of redemption to holders of the Series A Depositary Shares not less than 30, nor more than 90 days, prior to the date fixed for redemption of the Series A Preferred Stock and the Series A Depositary Shares.

If the Series A Preferred Stock is to be redeemed, the notice of redemption shall be given by first class mail to the holders of record of the Series A Preferred Stock to be redeemed, mailed not less than 30 days, nor more than 90 days, prior to the date fixed for redemption thereof (*provided* that, if the Series A Preferred Stock is held in book-entry form through DTC we may give such notice at such time in any manner permitted by DTC).

If notice of redemption of any Series A Preferred Stock has been duly given, and if the funds necessary for such redemption have been set aside by us for the benefit of the holders of any Series A Preferred Stock so called for redemption, then, from and after the date of redemption, dividends will cease to accrue on such Series A Preferred Stock, and such Series A Preferred Stock shall no longer be outstanding and all rights of the holders of such Series A Preferred Stock will cease and terminate, except the right to receive the amount payable on such redemption, without interest.

In case of any redemption of less than all of the outstanding Series A Depositary Shares, the Series A Depositary Shares to be redeemed will be selected by the Depositary either pro rata or by lot (or, in the event the Series A Depositary Shares are in the form of global depositary receipts, in accordance with the applicable procedures of DTC in compliance with then-applicable rules of Nasdaq). In any such case, the Depositary will redeem the Series A Depositary Shares only in increments of 1,000 Series A Depositary Shares and any integral multiple thereof.

Voting Rights

When the Depositary receives notice of any meeting at which the holders of the Series A Preferred Stock are entitled to vote, the Depositary will mail (or otherwise transmit by an authorized method) the information contained in the notice to the record holders of the Series A Depositary Shares. Each record holder of the Series A Depositary Shares on the record date, which will be the same date as the record date for the Series A Preferred Stock, may instruct the Depositary to vote the amount of the Series A Preferred Stock represented by the holder's Series A Depositary Shares. Although each Series A Depositary Share is entitled to 1/1,000th of a vote,

the Depositary can only vote whole shares of Series A Preferred Stock. To the extent possible, the Depositary will vote the amount of the Series A Preferred Stock represented by the Series A Depositary Shares in accordance with the instructions it receives. We will agree to take all reasonable actions that the Depositary determines are necessary to enable the Depositary to vote as instructed. If the Depositary does not receive specific instructions from the holders of any Series A Depositary Shares, it will not vote the amount of the Series A Preferred Stock represented by such Series A Depositary Shares.

Except as provided below or as otherwise required by applicable law, the holders of the Series A Preferred Stock will have no voting rights.

Whenever dividends on any Series A Preferred Stock or any other series of voting preferred stock (as defined in this Description of Series A Depositary Shares), including the Series B Preferred Stock and the Series C Preferred Stock, shall have not been declared and paid in an aggregate amount equal to full dividends for at least six quarterly dividend periods, whether or not for consecutive dividend periods (a “nonpayment”), the holders of such Series A Preferred Stock, voting together as a single class with holders of any and all other series of voting preferred stock then outstanding, will be entitled to vote (in proportion to their respective stated amounts) for the election of a total of two additional members of our Board (the “Preferred Stock Directors”); *provided* that the election of any such directors shall not cause us to violate the corporate governance requirement of Nasdaq (or any other exchange on which our securities may be listed) that listed companies must have a majority of independent directors. In that event, the number of directors on our Board shall automatically increase by two, and the new directors shall be elected at a special meeting called at the request of the holders of record of at least 20% of the stated amount of the Series A Preferred Stock or of any other series of voting preferred stock (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), and at each subsequent annual meeting. These voting rights will continue until dividends on the Series A Preferred Stock and any such series of voting preferred stock for at least four consecutive dividend periods following the Nonpayment shall have been fully paid.

As used in this Description of Series A Depositary Shares, “voting preferred stock” means any other class or series of our preferred stock ranking equally with the Series A Preferred Stock either as to the payment of dividends or the distribution of assets upon our liquidation, dissolution or winding-up and upon which like voting rights have been conferred and are exercisable, which includes the Series B Preferred Stock and the Series C Preferred Stock.

If and when dividends for at least four consecutive quarterly dividend periods following a Nonpayment have been paid in full, the holders of the Series A Preferred Stock shall be divested of the foregoing voting rights (subject to revesting in the event of each subsequent nonpayment) and, if such voting rights for all other holders of voting preferred stock have terminated, the term of office of each Preferred Stock Director so elected shall terminate and the number of directors on the Board shall automatically decrease by two. In determining whether dividends have been paid for four dividend periods following a nonpayment, we may take account of any dividend we

elect to pay for such a dividend period after the regular dividend payment date for that period has passed. Any Preferred Stock Director may be removed at any time with or without cause by the holders of record of a majority of the outstanding Series A Preferred Stock and any other shares of voting preferred stock then outstanding, voting together as a single class in proportion to their respective stated amounts, when they have the voting rights described above. So long as a nonpayment shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election after a nonpayment) shall be filled by the written consent of the Preferred Stock Director remaining in office, or, solely in the case where no Preferred Stock Director remains in office, by a vote of the holders of record of a majority of the outstanding Series A Preferred Stock and any other shares of voting preferred stock then outstanding, voting together as a single class in proportion to their respective stated amounts. The Preferred Stock Directors shall each be entitled to one vote per director on any matter.

So long as any Series A Preferred Stock remains outstanding, and subject to certain exceptions, we will not take certain corporate actions, without the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series A Preferred Stock and all other series of voting preferred stock entitled to vote thereon (voting together as a single class in proportion to their respective stated amounts), given in person or by proxy, either in writing or at a meeting.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding Series A Preferred Stock shall have been redeemed or called for redemption upon proper notice, and sufficient funds shall have been set aside by us for the benefit of the holders of Series A Preferred Stock to effect such redemption.

Listing

The Series A Depositary Shares are listed on Nasdaq under the symbol “BHFAP”.

Form of the Series A Depositary Shares

The Series A Depositary Shares are represented by one or more global securities that are deposited with and registered in the name of DTC or its nominee.

Depositary

Computershare Inc. and Computershare Trust Company, N.A., collectively is the depositary for our Series A Depositary Shares.

DESCRIPTION OF SERIES B DEPOSITARY SHARES

The following description of the Series B Depositary Shares, each representing a 1/1,000th interest in a share of 6.750% Non-Cumulative Preferred Stock, Series B and the Series B Preferred Stock underlying the Series B Depositary Shares does not purport to be complete. It

is subject to, and qualified in its entirety by reference to, our Certificate of Incorporation, the Certificate of Designations creating the Series B Preferred Stock (the "Series B Certificate of Designations"), the Deposit Agreement, dated as of May 21, 2020 (the "Series B Deposit Agreement"), among the Company, the Depositary and the holders from time to time of the depositary receipts described therein, and by the relevant sections of the DGCL. You should read our Certificate of Incorporation, the Series B Certificate of Designations and the Series B Deposit Agreement for a full description of the terms of the Series B Depositary Shares and the underlying Series B Preferred Stock. The Certificate of Incorporation, the Series B Certificate of Designations and the Series B Deposit Agreement are filed as exhibits to the Annual Report on Form 10-K of which this exhibit is a part and incorporated by reference herein.

General

As of February 18, 2022, we had 16,100,000 Series B Depositary Shares outstanding. The Depositary is the sole holder of the Series B Preferred Stock, and all references to the holders of the Series B Preferred Stock shall mean the Depositary. However, holders of the Series B Depositary Shares are entitled through the Depositary to exercise the rights and preferences of the Series B Preferred Stock.

References to the holders of the Series B Depositary Shares mean those who own the Series B Depositary Shares registered in their own names, on the books that we or the Depositary maintain for this purpose, and not indirect holders who own beneficial interests in the Series B Depositary Shares registered in street name or issued in book-entry form through DTC. Subject to the terms of the Series B Deposit Agreement, each holder of Series B Depositary Shares is entitled, through the Depositary, in proportion to the applicable fraction of a share of the Series B Preferred Stock represented by such Series B Depositary Shares, to all the rights and preferences of the Series B Preferred Stock represented thereby (including dividend, voting, redemption and liquidation rights).

Series B Preferred Stock

Authorized Preferred Stock

Our authorized preferred stock consists of 100,000,000 shares, par value $0.01 per share. As of February 18, 2022, we had 70,100 total shares of preferred stock outstanding, of which 16,100 shares were Series B Preferred Stock. The "stated amount" per share of Series B Preferred Stock is $25,000.

Fungibility

We may from time to time, without notice to or the consent of holders of the Series B Depositary Shares and the underlying Series B Preferred Stock, issue additional Series B Preferred Stock and the related Series B Depositary Shares; *provided* that we will only issue additional Series B Preferred Stock and Series B Depositary Shares if they are fungible for tax purposes with the originally issued Series B Preferred Stock and Series B Depositary Shares. The

additional shares of Series B Preferred Stock and the related Series B Depositary Shares would be deemed to form a single series with the originally issued Series B Preferred Stock and the related Series B Depositary Shares, respectively. Each share of Series B Preferred Stock shall be identical in all respects to every other share of Series B Preferred Stock, except that shares of Series B Preferred Stock issued after May 21, 2020 shall accrue dividends from the date determined by our Board (or a duly authorized committee thereof).

General

The Series B Preferred Stock is not be convertible into, or exchangeable for, shares of any other class or series of stock or other securities of Brighthouse Financial or our subsidiaries. The Series B Preferred Stock has no stated maturity and will not be subject to any sinking fund, retirement fund or purchase fund or other obligation of ours to redeem, repurchase or retire the Series B Preferred Stock. The Series B Preferred Stock is issued in uncertificated form.

Transfer Agent and Registrar

Computershare Trust Company, N.A. is the transfer agent, registrar and dividend disbursing agent for the Series B Preferred Stock.

Dividends

Each dividend on a Series B Depositary Share is in an amount equal to 1/1,000th of the dividend declared on each share of the Series B Preferred Stock, except that the amounts distributed to holders of the Series B Depositary Shares will be reduced by any amounts required to be withheld by the Depositary or by us on account of taxes or other governmental charges.

We pay dividends on the Series B Preferred Stock only when, as and if declared by the Board (or a duly authorized committee thereof), out of funds legally available for the payment of dividends. Any such dividends are payable, at a rate of 6.750% per annum, on a non-cumulative basis from the date of original issue, quarterly in arrears on the 25th day of March, June, September and December of each year (each, a “Series B Dividend Payment Date”), commencing on September 25, 2020. Series B Dividend Payment Dates are subject to adjustment for business days.

Dividends are payable to holders of record of the Series B Preferred Stock as they appear on our books on the applicable record date, which shall be the 15th calendar day before that Series B Dividend Payment Date or such other record date fixed by our Board (or a duly authorized committee thereof) that is not more than 60 nor less than 10 days prior to such Series B Dividend Payment Date (each, a “Series B Dividend Record Date”). Dividend record dates will apply regardless of whether a particular Series B Dividend Record Date is a business day.

A “Series B Dividend Period” is the period from, and including, a Series B Dividend Payment Date to, but excluding, the next Series B Dividend Payment Date. Dividends on the Series B Preferred Stock are not cumulative and are not mandatory. Accordingly, if the Board (or

a duly authorized committee thereof) has not declared a dividend in respect of any Series B Dividend Period, we have no obligation to pay dividends accrued for such Series B Dividend Period on or after the Series B Dividend Payment Date for that Series B Dividend Period, whether or not dividends on the Series B Preferred Stock are declared for any future Series B Dividend Period.

During any Series B Dividend Period, so long as any Series B Preferred Stock remains outstanding, unless the full dividends for the latest completed Series B Dividend Period on all outstanding Series B Preferred Stock and parity stock (as defined in this Description of Series B Depositary Shares, including the Series A Preferred Stock and the Series C Preferred Stock) have been declared and paid, or declared and a sum sufficient for the payment thereof has been set aside:

- no dividend shall be paid or declared on our Common Stock or other junior stock (as defined in this Description of Series B Depositary Shares) (other than a dividend payable solely in stock that ranks junior to the Series B Preferred Stock as to the payment of dividends and as to the distribution of assets on any liquidation, dissolution or winding-up of Brighthouse Financial); and

- no monies may be paid or made available for a sinking fund for the redemption or retirement of junior stock, nor shall any Common Stock or other junior stock be purchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than as a result of the reclassification of such junior stock, or the exchange or conversion of one share of such junior stock, in each case, for or into another share of stock that ranks junior to the Series B Preferred Stock as to the payment of dividends and as to the distribution of assets on any liquidation, dissolution or winding-up of Brighthouse Financial).

For any Series B Dividend Period in which dividends are not paid in full upon the Series B Preferred Stock or any parity stock (including the Series A Preferred Stock and the Series C Preferred Stock), all dividends declared for such Series B Dividend Period with respect to the Series B Preferred Stock and such parity stock shall be declared on a pro rata basis.

As used in this Description of Series B Depositary Shares, “junior stock” means our Common Stock, and any other class or series of our capital stock that ranks junior to the Series B Preferred Stock either as to the payment of dividends (whether such dividends are cumulative or non-cumulative) or as to the distribution of assets upon any liquidation, dissolution or winding-up of Brighthouse Financial.

As used in this Description of Series B Depositary Shares, “parity stock” means the Series A Preferred Stock, the Series C Preferred Stock and any other class or series of our stock that ranks equally with the Series B Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) and in the distribution of assets on any liquidation, dissolution or winding-up of Brighthouse Financial.

Liquidation Rights

Upon any voluntary or involuntary liquidation, dissolution or winding-up of Brighthouse Financial, holders of the Series B Preferred Stock and any parity stock (including the Series A Preferred Stock and the Series C Preferred Stock) are entitled to receive, out of our assets or proceeds thereof (whether capital or surplus) available for distribution to stockholders, after satisfaction of liabilities and obligations to our creditors, if any, before any distribution of such assets or payment out of our assets may be made or set aside for holders of Common Stock and any other junior stock, a liquidating distribution in the amount of $25,000 per share of Series B Preferred Stock (equivalent to $25.00 per Series B Depositary Share), plus declared and unpaid dividends, without accumulation of any undeclared dividends. Holders of the Series B Preferred Stock will not be entitled to any other amounts from us after they have received their full liquidation preference (as defined in this Description of Series B Depositary Shares).

In any such distribution, if our assets are not sufficient to pay the liquidation preferences in full to all holders of the Series B Preferred Stock and all holders of any parity stock, the amounts paid to the holders of Series B Preferred Stock and to the holders of any parity stock will be paid pro rata in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the “liquidation preference” of any holder of preferred stock means the amount payable to such holder in such distribution (assuming no limitation on our assets available for such distribution), including any declared but unpaid dividends (and any unpaid, accrued cumulative dividends in the case of any holder of stock (other than Series B Preferred Stock) on which dividends accrue on a cumulative basis, whether or not declared, as applicable). If the liquidation preference has been paid in full to all holders of the Series B Preferred Stock and all holders of parity stock, the holders of our junior stock shall be entitled to receive all remaining assets of Brighthouse Financial (or proceeds thereof) according to their respective rights and preferences.

Optional Redemption

If we redeem the Series B Preferred Stock represented by the Series B Depositary Shares, in whole or in part, a corresponding number of Series B Depositary Shares will be redeemed from the proceeds received by the Depositary resulting from the redemption of the Series B Preferred Stock held by the Depositary. The redemption price per Series B Depositary Share will be equal to 1/1,000th of the redemption price per share payable with respect to the Series B Preferred Stock, plus an amount equal to any dividends thereon that, pursuant to the provisions of the Series B Certificate of Designations, are payable upon redemption. Whenever we redeem shares of the Series B Preferred Stock held by the Depositary, the Depositary will redeem, as of the same date of redemption, the number of the Series B Depositary Shares representing shares of the Series B Preferred Stock so redeemed.

The Series B Preferred Stock is not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or other similar provisions. We may redeem the shares of Series B Preferred Stock at our option:

- in whole, but not in part, at any time prior to June 25, 2025 (within 90 days after the occurrence of a "rating agency event" (as defined in this Description of Series B Depositary Shares)) at a redemption price equal to $25,500 per share of Series B Preferred Stock (equivalent to $25.50 per Series B Depositary Share), plus (except as provided below) an amount equal to any dividends per share that have accrued but not been declared and paid for the then-current Series B Dividend Period to, but excluding, the date of redemption; or

- (i) in whole, but not in part, at any time prior to June 25, 2025 (within 90 days after the occurrence of a "regulatory capital event" (as defined in this Description of Series B Depositary Shares)) or (ii) on or after June 25, 2025, in whole at any time or in part from time to time, in each case, at a redemption price equal to $25,000 per share of Series B Preferred Stock (equivalent to $25.00 per Series B Depositary Share), plus (except as provided below) an amount equal to any dividends per share that have accrued but not been declared and paid for the then-current Series B Dividend Period to, but excluding, the date of redemption.

Any declared but unpaid dividends payable on a date of redemption that occurs subsequent to the Series B Dividend Record Date for a Series B Dividend Period will not constitute a part of, or be paid to, the holder entitled to receive the redemption price on the date of redemption, but rather will be paid to the holder of record of the redeemed shares on the Series B Dividend Record Date relating to such Series B Dividend Payment Date.

Holders of the shares of Series B Preferred Stock do not have the right to require the redemption or repurchase of the Series B Preferred Stock.

"Rating agency event" means that any nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act, that then publishes a rating for us (a "rating agency") amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Series B Preferred Stock, which amendment, clarification or change results in:

- the shortening of the length of time the Series B Preferred Stock are assigned a particular level of equity credit by that rating agency as compared to the length of time they would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the Series B Preferred Stock; or

- the lowering of the equity credit (including up to a lesser amount) assigned to the Series B Preferred Stock by that rating agency as compared to the equity credit

assigned by that rating agency or its predecessor on the initial issuance of the Series B Preferred Stock.

"Regulatory capital event" means that we become subject to capital adequacy supervision by a capital regulator and the capital adequacy guidelines that apply to us as a result of being so subject set forth criteria pursuant to which the aggregate stated amount of the Series B Preferred Stock would not qualify as capital under such capital adequacy guidelines, as we may determine at any time, in our sole discretion.

The Depositary will mail (or otherwise transmit by an authorized method) notice of redemption to holders of the Series B Depositary Shares not less than 30, nor more than 90 days, prior to the date fixed for redemption of the Series B Preferred Stock and the Series B Depositary Shares.

If the Series B Preferred Stock is to be redeemed, the notice of redemption shall be given by first class mail to the holders of record of the Series B Preferred Stock to be redeemed, mailed not less than 30 days, nor more than 90 days, prior to the date fixed for redemption thereof (*provided* that, if the Series B Preferred Stock is held in book-entry form through DTC we may give such notice at such time in any manner permitted by DTC).

If notice of redemption of any Series B Preferred Stock has been duly given, and if the funds necessary for such redemption have been set aside by us for the benefit of the holders of any Series B Preferred Stock so called for redemption, then, from and after the date of redemption, dividends will cease to accrue on such Series B Preferred Stock, and such Series B Preferred Stock shall no longer be outstanding and all rights of the holders of such Series B Preferred Stock will cease and terminate, except the right to receive the amount payable on such redemption, without interest.

In case of any redemption of less than all of the outstanding Series B Depositary Shares, the Series B Depositary Shares to be redeemed will be selected by the Depositary either pro rata or by lot (or, in the event the Series B Depositary Shares are in the form of global depositary receipts, in accordance with the applicable procedures of DTC in compliance with then-applicable rules of Nasdaq). In any such case, the Depositary will redeem the Series B Depositary Shares only in increments of 1,000 Series B Depositary Shares and any integral multiple thereof.

Voting Rights

When the Depositary receives notice of any meeting at which the holders of the Series B Preferred Stock are entitled to vote, the Depositary will mail (or otherwise transmit by an authorized method) the information contained in the notice to the record holders of the Series B Depositary Shares. Each record holder of the Series B Depositary Shares on the record date, which will be the same date as the record date for the Series B Preferred Stock, may instruct the Depositary to vote the amount of the Series B Preferred Stock represented by the holder's Series B Depositary Shares. Although each Series B Depositary Share is entitled to 1/1,000th of a vote,

the Depositary can only vote whole shares of Series B Preferred Stock. To the extent possible, the Depositary will vote the amount of the Series B Preferred Stock represented by the Series B Depositary Shares in accordance with the instructions it receives. We will agree to take all reasonable actions that the Depositary determines are necessary to enable the Depositary to vote as instructed. If the Depositary does not receive specific instructions from the holders of any Series B Depositary Shares, it will not vote the amount of the Series B Preferred Stock represented by such Series B Depositary Shares.

Except as provided below or as otherwise required by applicable law, the holders of the Series B Preferred Stock will have no voting rights.

Whenever dividends on any Series B Preferred Stock or any other series of voting preferred stock (as defined in this Description of Series B Depositary Shares), including the Series A Preferred Stock and the Series C Preferred Stock, shall have not been declared and paid in an aggregate amount equal to full dividends for at least six quarterly dividend periods, whether or not for consecutive dividend periods (a "nonpayment"), the holders of such Series B Preferred Stock, voting together as a single class with holders of any and all other series of voting preferred stock then outstanding, will be entitled to vote (in proportion to their respective stated amounts) for the election of the Preferred Stock Directors; *provided* that the election of any such directors shall not cause us to violate the corporate governance requirement of Nasdaq (or any other exchange on which our securities may be listed) that listed companies must have a majority of independent directors. In that event, the number of directors on our Board shall automatically increase by two, and the new directors shall be elected at a special meeting called at the request of the holders of record of at least 20% of the stated amount of the Series B Preferred Stock or of any other series of voting preferred stock (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), and at each subsequent annual meeting. These voting rights will continue until dividends on the Series B Preferred Stock and any such series of voting preferred stock for at least four consecutive dividend periods following the nonpayment shall have been fully paid.

As used in this Description of Series B Depositary Shares, "voting preferred stock" means any other class or series of our preferred stock ranking equally with the Series B Preferred Stock either as to the payment of dividends or the distribution of assets upon our liquidation, dissolution or winding-up and upon which like voting rights have been conferred and are exercisable, which includes the Series A Preferred Stock and the Series C Preferred Stock.

If and when dividends for at least four consecutive quarterly dividend periods following a nonpayment have been paid in full, the holders of the Series B Preferred Stock shall be divested of the foregoing voting rights (subject to revesting in the event of each subsequent nonpayment) and, if such voting rights for all other holders of voting preferred stock have terminated, the term of office of each Preferred Stock Director so elected shall terminate and the number of directors on the Board shall automatically decrease by two. In determining whether dividends have been paid for four dividend periods following a nonpayment, we may take account of any dividend we elect to pay for such a dividend period after the regular dividend payment date for that period has

passed. Any Preferred Stock Director may be removed at any time with or without cause by the holders of record of a majority of the outstanding Series B Preferred Stock and any other shares of voting preferred stock then outstanding, voting together as a single class in proportion to their respective stated amounts, when they have the voting rights described above. So long as a nonpayment shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election after a nonpayment) shall be filled by the written consent of the Preferred Stock Director remaining in office, or, solely in the case where no Preferred Stock Director remains in office, by a vote of the holders of record of a majority of the outstanding Series B Preferred Stock and any other shares of voting preferred stock then outstanding, voting together as a single class in proportion to their respective stated amounts. The Preferred Stock Directors shall each be entitled to one vote per director on any matter.

So long as any Series B Preferred Stock remains outstanding, and subject to certain exceptions, we will not take certain corporate actions, without the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series B Preferred Stock and all other series of voting preferred stock entitled to vote thereon (voting together as a single class in proportion to their respective stated amounts), given in person or by proxy, either in writing or at a meeting.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding Series B Preferred Stock shall have been redeemed or called for redemption upon proper notice, and sufficient funds shall have been set aside by us for the benefit of the holders of Series B Preferred Stock to effect such redemption.

Listing

The Series B Depositary Shares are listed on Nasdaq under the symbol "BHFAO".

Form of the Series B Depositary Shares

The Series B Depositary Shares are represented by one or more global securities that are deposited with and registered in the name of DTC or its nominee.

Depositary

Computershare Inc. and Computershare Trust Company, N.A., collectively is the depositary for our Series B Depositary Shares.

DESCRIPTION OF SERIES C DEPOSITARY SHARES

The following description of the Series C Depositary Shares, each representing a 1/1,000th interest in a share of 5.375% Non-Cumulative Preferred Stock, Series C and the Series C Preferred Stock underlying the Series C Depositary Shares does not purport to be complete. It is subject to, and qualified in its entirety by reference to, our Certificate of Incorporation, the Certificate of Designations creating the Series C Preferred Stock (the "Series C Certificate of

Designations”), the Deposit Agreement, dated as of November 20, 2020 (the “Series C Deposit Agreement”), among the Company, the Depositary and the holders from time to time of the depositary receipts described therein, and by the relevant sections of the DGCL. You should read our Certificate of Incorporation, the Series C Certificate of Designations and the Series C Deposit Agreement for a full description of the terms of the Series C Depositary Shares and the underlying Series C Preferred Stock. The Certificate of Incorporation, the Series C Certificate of Designations and the Series C Deposit Agreement are filed as exhibits to the Annual Report on Form 10-K of which this exhibit is a part and incorporated by reference herein.

General

As of February 18, 2022, we had 23,000,000 Series C Depositary Shares outstanding. The Depositary is the sole holder of the Series C Preferred Stock, and all references to the holders of the Series C Preferred Stock shall mean the Depositary. However, holders of the Series C Depositary Shares are entitled through the Depositary to exercise the rights and preferences of the Series C Preferred Stock.

References to the holders of the Series C Depositary Shares mean those who own the Series C Depositary Shares registered in their own names, on the books that we or the Depositary maintain for this purpose, and not indirect holders who own beneficial interests in the Series C Depositary Shares registered in street name or issued in book-entry form through DTC. Subject to the terms of the Series C Deposit Agreement, each holder of Series C Depositary Shares is entitled, through the Depositary, in proportion to the applicable fraction of a share of the Series C Preferred Stock represented by such Series C Depositary Shares, to all the rights and preferences of the Series C Preferred Stock represented thereby (including dividend, voting, redemption and liquidation rights).

Series C Preferred Stock

Authorized Preferred Stock

Our authorized preferred stock consists of 100,000,000 shares, par value $0.01 per share. As of February 18, 2022, we had 70,100 total shares of preferred stock outstanding, of which 23,000 shares were Series C Preferred Stock. The “stated amount” per share of Series C Preferred Stock is $25,000.

Fungibility

We may from time to time, without notice to or the consent of holders of the Series C Depositary Shares and the underlying Series C Preferred Stock, issue additional Series C Preferred Stock and the related Series C Depositary Shares; *provided* that we will only issue additional Series C Preferred Stock and Series C Depositary Shares if they are fungible for tax purposes with the originally issued Series C Preferred Stock and Series C Depositary Shares. The additional shares of Series C Preferred Stock and the related Series C Depositary Shares would be deemed to form a single series with the originally issued Series C Preferred Stock and the

related Series C Depositary Shares, respectively. Each share of Series C Preferred Stock shall be identical in all respects to every other share of Series C Preferred Stock, except that shares of Series C Preferred Stock issued after November 20, 2020 shall accrue dividends from the date determined by our Board (or a duly authorized committee thereof).

General

The Series C Preferred Stock is not be convertible into, or exchangeable for, shares of any other class or series of stock or other securities of Brighthouse Financial or our subsidiaries. The Series C Preferred Stock has no stated maturity and will not be subject to any sinking fund, retirement fund or purchase fund or other obligation of ours to redeem, repurchase or retire the Series C Preferred Stock. The Series C Preferred Stock is issued in uncertificated form.

Transfer Agent and Registrar

Computershare Trust Company, N.A. is the transfer agent, registrar and dividend disbursing agent for the Series C Preferred Stock.

Dividends

Each dividend on a Series C Depositary Share is in an amount equal to 1/1,000th of the dividend declared on each share of the Series C Preferred Stock, except that the amounts distributed to holders of the Series C Depositary Shares will be reduced by any amounts required to be withheld by the Depositary or by us on account of taxes or other governmental charges.

We pay dividends on the Series C Preferred Stock only when, as and if declared by the Board (or a duly authorized committee thereof), out of funds legally available for the payment of dividends. Any such dividends are payable, at a rate of 5.375% per annum, on a non-cumulative basis from the date of original issue, quarterly in arrears on the 25th day of March, June, September and December of each year (each, a “Series C Dividend Payment Date”), commencing on March 25, 2021. Series C Dividend Payment Dates are subject to adjustment for business days.

Dividends are payable to holders of record of the Series C Preferred Stock as they appear on our books on the applicable record date, which shall be the 15th calendar day before that Series C Dividend Payment Date or such other record date fixed by our Board (or a duly authorized committee thereof) that is not more than 60 nor less than 10 days prior to such Series C Dividend Payment Date (each, a “Series C Dividend Record Date”). Dividend record dates will apply regardless of whether a particular Series C Dividend Record Date is a business day.

A “Series C Dividend Period” is the period from, and including, a Series C Dividend Payment Date to, but excluding, the next Series C Dividend Payment Date. Dividends on the Series C Preferred Stock are not cumulative and are not mandatory. Accordingly, if the Board (or a duly authorized committee thereof) has not declared a dividend in respect of any Series C Dividend Period, we have no obligation to pay dividends accrued for such Series C Dividend

Period on or after the Series C Dividend Payment Date for that Series C Dividend Period, whether or not dividends on the Series C Preferred Stock are declared for any future Series C Dividend Period.

During any Series C Dividend Period, so long as any Series C Preferred Stock remains outstanding, unless the full dividends for the latest completed Series C Dividend Period on all outstanding Series C Preferred Stock and parity stock (as defined in this Description of Series C Depositary Shares, including the Series A Preferred Stock and the Series B Preferred Stock) have been declared and paid, or declared and a sum sufficient for the payment thereof has been set aside:

- no dividend shall be paid or declared on our Common Stock or other junior stock (as defined in this Description of Series C Depositary Shares) (other than a dividend payable solely in stock that ranks junior to the Series C Preferred Stock as to the payment of dividends and as to the distribution of assets on any liquidation, dissolution or winding-up of Brighthouse Financial); and

- no monies may be paid or made available for a sinking fund for the redemption or retirement of junior stock, nor shall any Common Stock or other junior stock be purchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than as a result of the reclassification of such junior stock, or the exchange or conversion of one share of such junior stock, in each case, for or into another share of stock that ranks junior to the Series C Preferred Stock as to the payment of dividends and as to the distribution of assets on any liquidation, dissolution or winding-up of Brighthouse Financial).

For any Series C Dividend Period in which dividends are not paid in full upon the Series C Preferred Stock or any parity stock (including the Series A Preferred Stock and the Series B Preferred Stock), all dividends declared for such Series C Dividend Period with respect to the Series C Preferred Stock and such parity stock shall be declared on a pro rata basis.

As used in this Description of Series C Depositary Shares, “junior stock” means our Common Stock, and any other class or series of our capital stock that ranks junior to the Series C Preferred Stock either as to the payment of dividends (whether such dividends are cumulative or non-cumulative) or as to the distribution of assets upon any liquidation, dissolution or winding-up of Brighthouse Financial.

As used in this Description of Series C Depositary Shares, “parity stock” means the Series A Preferred Stock, the Series B Preferred Stock and any other class or series of our stock that ranks equally with the Series C Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) and in the distribution of assets on any liquidation, dissolution or winding-up of Brighthouse Financial.

Liquidation Rights

Upon any voluntary or involuntary liquidation, dissolution or winding-up of Brighthouse Financial, holders of the Series C Preferred Stock and any parity stock (including the Series A Preferred Stock and the Series B Preferred Stock) are entitled to receive, out of our assets or proceeds thereof (whether capital or surplus) available for distribution to stockholders, after satisfaction of liabilities and obligations to our creditors, if any, before any distribution of such assets or payment out of our assets may be made or set aside for holders of Common Stock and any other junior stock, a liquidating distribution in the amount of $25,000 per share of Series C Preferred Stock (equivalent to $25.00 per Series C Depositary Share), plus declared and unpaid dividends, without accumulation of any undeclared dividends. Holders of the Series C Preferred Stock will not be entitled to any other amounts from us after they have received their full liquidation preference (as defined in this Description of Series C Depositary Shares).

In any such distribution, if our assets are not sufficient to pay the liquidation preferences in full to all holders of the Series C Preferred Stock and all holders of any parity stock, the amounts paid to the holders of Series C Preferred Stock and to the holders of any parity stock will be paid pro rata in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the “liquidation preference” of any holder of preferred stock means the amount payable to such holder in such distribution (assuming no limitation on our assets available for such distribution), including any declared but unpaid dividends (and any unpaid, accrued cumulative dividends in the case of any holder of stock (other than Series C Preferred Stock) on which dividends accrue on a cumulative basis, whether or not declared, as applicable). If the liquidation preference has been paid in full to all holders of the Series C Preferred Stock and all holders of parity stock, the holders of our junior stock shall be entitled to receive all remaining assets of Brighthouse Financial (or proceeds thereof) according to their respective rights and preferences.

Optional Redemption

If we redeem the Series C Preferred Stock represented by the Series C Depositary Shares, in whole or in part, a corresponding number of Series C Depositary Shares will be redeemed from the proceeds received by the Depositary resulting from the redemption of the Series C Preferred Stock held by the Depositary. The redemption price per Series C Depositary Share will be equal to 1/1,000th of the redemption price per share payable with respect to the Series C Preferred Stock, plus an amount equal to any dividends thereon that, pursuant to the provisions of the Series C Certificate of Designations, are payable upon redemption. Whenever we redeem shares of the Series C Preferred Stock held by the Depositary, the Depositary will redeem, as of the same date of redemption, the number of the Series C Depositary Shares representing shares of the Series C Preferred Stock so redeemed.

The Series C Preferred Stock is not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or other similar provisions. We may redeem the shares of Series C Preferred Stock at our option:

- in whole, but not in part, at any time prior to December 25, 2025 (within 90 days after the occurrence of a "rating agency event" (as defined in this Description of Series C Depositary Shares)) at a redemption price equal to $25,500 per share of Series C Preferred Stock (equivalent to $25.50 per Series C Depositary Share), plus (except as provided below) an amount equal to any dividends per share that have accrued but not been declared and paid for the then-current Series C Dividend Period to, but excluding, the date of redemption; or

- (i) in whole, but not in part, at any time prior to December 25, 2025 (within 90 days after the occurrence of a "regulatory capital event" (as defined in this Description of Series C Depositary Shares)) or (ii) on or after December 25, 2025, in whole at any time or in part from time to time, in each case, at a redemption price equal to $25,000 per share of Series C Preferred Stock (equivalent to $25.00 per Series C Depositary Share), plus (except as provided below) an amount equal to any dividends per share that have accrued but not been declared and paid for the then-current Series C Dividend Period to, but excluding, the date of redemption.

Any declared but unpaid dividends payable on a date of redemption that occurs subsequent to the Series C Dividend Record Date for a Series C Dividend Period will not constitute a part of, or be paid to, the holder entitled to receive the redemption price on the date of redemption, but rather will be paid to the holder of record of the redeemed shares on the Series C Dividend Record Date relating to such Series C Dividend Payment Date.

Holders of the shares of Series C Preferred Stock do not have the right to require the redemption or repurchase of the Series C Preferred Stock.

"Rating agency event" means that any nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act, that then publishes a rating for us (a "rating agency") amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Series C Preferred Stock, which amendment, clarification or change results in:

- the shortening of the length of time the Series C Preferred Stock are assigned a particular level of equity credit by that rating agency as compared to the length of time they would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the Series C Preferred Stock; or

- the lowering of the equity credit (including up to a lesser amount) assigned to the Series C Preferred Stock by that rating agency as compared to the equity credit assigned by that rating agency or its predecessor on the initial issuance of the Series C Preferred Stock.

“Regulatory capital event” means that we become subject to capital adequacy supervision by a capital regulator and the capital adequacy guidelines that apply to us as a result of being so subject set forth criteria pursuant to which the aggregate stated amount of the Series C Preferred Stock would not qualify as capital under such capital adequacy guidelines, as we may determine at any time, in our sole discretion.

The Depositary will mail (or otherwise transmit by an authorized method) notice of redemption to holders of the Series C Depositary Shares not less than 30, nor more than 90 days, prior to the date fixed for redemption of the Series C Preferred Stock and the Series C Depositary Shares.

If the Series C Preferred Stock is to be redeemed, the notice of redemption shall be given by first class mail to the holders of record of the Series C Preferred Stock to be redeemed, mailed not less than 30 days, nor more than 90 days, prior to the date fixed for redemption thereof (*provided* that, if the Series C Preferred Stock is held in book-entry form through DTC we may give such notice at such time in any manner permitted by DTC).

If notice of redemption of any Series C Preferred Stock has been duly given, and if the funds necessary for such redemption have been set aside by us for the benefit of the holders of any Series C Preferred Stock so called for redemption, then, from and after the date of redemption, dividends will cease to accrue on such Series C Preferred Stock, and such Series C Preferred Stock shall no longer be outstanding and all rights of the holders of such Series C Preferred Stock will cease and terminate, except the right to receive the amount payable on such redemption, without interest.

In case of any redemption of less than all of the outstanding Series C Depositary Shares, the Series C Depositary Shares to be redeemed will be selected by the Depositary either pro rata or by lot (or, in the event the Series C Depositary Shares are in the form of global depositary receipts, in accordance with the applicable procedures of DTC in compliance with then-applicable rules of Nasdaq). In any such case, the Depositary will redeem the Series C Depositary Shares only in increments of 1,000 Series C Depositary Shares and any integral multiple thereof.

Voting Rights

When the Depositary receives notice of any meeting at which the holders of the Series C Preferred Stock are entitled to vote, the Depositary will mail (or otherwise transmit by an authorized method) the information contained in the notice to the record holders of the Series C Depositary Shares. Each record holder of the Series C Depositary Shares on the record date, which will be the same date as the record date for the Series C Preferred Stock, may instruct the Depositary to vote the amount of the Series C Preferred Stock represented by the holder’s Series C Depositary Shares. Although each Series C Depositary Share is entitled to 1/1,000th of a vote, the Depositary can only vote whole shares of Series C Preferred Stock. To the extent possible, the Depositary will vote the amount of the Series C Preferred Stock represented by the Series C Depositary Shares in accordance with the instructions it receives. We will agree to take all

reasonable actions that the Depositary determines are necessary to enable the Depositary to vote as instructed. If the Depositary does not receive specific instructions from the holders of any Series C Depositary Shares, it will not vote the amount of the Series C Preferred Stock represented by such Series C Depositary Shares.

Except as provided below or as otherwise required by applicable law, the holders of the Series C Preferred Stock will have no voting rights.

Whenever dividends on any Series C Preferred Stock or any other series of voting preferred stock (as defined in this Description of Series C Depositary Shares), including the Series A Preferred Stock and the Series B Preferred Stock, shall have not been declared and paid in an aggregate amount equal to full dividends for at least six quarterly dividend periods, whether or not for consecutive dividend periods (a “nonpayment”), the holders of such Series C Preferred Stock, voting together as a single class with holders of any and all other series of voting preferred stock then outstanding, will be entitled to vote (in proportion to their respective stated amounts) for the election of the Preferred Stock Directors; *provided* that the election of any such directors shall not cause us to violate the corporate governance requirement of Nasdaq (or any other exchange on which our securities may be listed) that listed companies must have a majority of independent directors. In that event, the number of directors on our Board shall automatically increase by two, and the new directors shall be elected at a special meeting called at the request of the holders of record of at least 20% of the stated amount of the Series C Preferred Stock or of any other series of voting preferred stock (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), and at each subsequent annual meeting. These voting rights will continue until dividends on the Series C Preferred Stock and any such series of voting preferred stock for at least four consecutive dividend periods following the nonpayment shall have been fully paid.

As used in this Description of Series C Depositary Shares, “voting preferred stock” means any other class or series of our preferred stock ranking equally with the Series C Preferred Stock either as to the payment of dividends or the distribution of assets upon our liquidation, dissolution or winding-up and upon which like voting rights have been conferred and are exercisable, which includes the Series A Preferred Stock and the Series B Preferred Stock.

If and when dividends for at least four consecutive quarterly dividend periods following a nonpayment have been paid in full, the holders of the Series C Preferred Stock shall be divested of the foregoing voting rights (subject to revesting in the event of each subsequent nonpayment) and, if such voting rights for all other holders of voting preferred stock have terminated, the term of office of each Preferred Stock Director so elected shall terminate and the number of directors on the Board shall automatically decrease by two. In determining whether dividends have been paid for four dividend periods following a nonpayment, we may take account of any dividend we elect to pay for such a dividend period after the regular dividend payment date for that period has passed. Any Preferred Stock Director may be removed at any time with or without cause by the holders of record of a majority of the outstanding Series C Preferred Stock and any other shares of voting preferred stock then outstanding, voting together as a single class in proportion to their

respective stated amounts, when they have the voting rights described above. So long as a nonpayment shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election after a nonpayment) shall be filled by the written consent of the Preferred Stock Director remaining in office, or, solely in the case where no Preferred Stock Director remains in office, by a vote of the holders of record of a majority of the outstanding Series C Preferred Stock and any other shares of voting preferred stock then outstanding, voting together as a single class in proportion to their respective stated amounts. The Preferred Stock Directors shall each be entitled to one vote per director on any matter.

So long as any Series C Preferred Stock remains outstanding, and subject to certain exceptions, we will not take certain corporate actions, without the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series C Preferred Stock and all other series of voting preferred stock entitled to vote thereon (voting together as a single class in proportion to their respective stated amounts), given in person or by proxy, either in writing or at a meeting.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding Series C Preferred Stock shall have been redeemed or called for redemption upon proper notice, and sufficient funds shall have been set aside by us for the benefit of the holders of Series C Preferred Stock to effect such redemption.

Listing

The Series C Depositary Shares are listed on Nasdaq under the symbol “BHFAN”.

Form of the Series C Depositary Shares

The Series C Depositary Shares are represented by one or more global securities that are deposited with and registered in the name of DTC or its nominee.

Depositary

Computershare Inc. and Computershare Trust Company, N.A., collectively is the depositary for our Series C Depositary Shares.

DESCRIPTION OF SERIES D DEPOSITARY SHARES

The following description of the Series D Depositary Shares, each representing a 1/1,000th interest in a share of 4.625% Non-Cumulative Preferred Stock, Series D and the Series D Preferred Stock underlying the Series D Depositary Shares does not purport to be complete. It is subject to, and qualified in its entirety by reference to, our Certificate of Incorporation, the Certificate of Designations creating the Series D Preferred Stock (the “Series D Certificate of Designations”), the Deposit Agreement, dated as of November 22, 2021 (the “Series D Deposit Agreement”), among the Company, the Depositary and the holders from time to time of the depositary receipts described therein, and by the relevant sections of the DGCL. You should read

our Certificate of Incorporation, the Series D Certificate of Designations and the Series D Deposit Agreement for a full description of the terms of the Series D Depositary Shares and the underlying Series D Preferred Stock. The Certificate of Incorporation, the Series D Certificate of Designations and the Series D Deposit Agreement are filed as exhibits to the Annual Report on Form 10-K of which this exhibit is a part and incorporated by reference herein.

General

As of February 18, 2022, we had 14,000,000 Series D Depositary Shares outstanding. The Depositary is the sole holder of the Series D Preferred Stock, and all references to the holders of the Series D Preferred Stock shall mean the Depositary. However, holders of the Series D Depositary Shares are entitled through the Depositary to exercise the rights and preferences of the Series D Preferred Stock.

References to the holders of the Series D Depositary Shares mean those who own the Series D Depositary Shares registered in their own names, on the books that we or the Depositary maintain for this purpose, and not indirect holders who own beneficial interests in the Series D Depositary Shares registered in street name or issued in book-entry form through DTC. Subject to the terms of the Series D Deposit Agreement, each holder of Series D Depositary Shares is entitled, through the Depositary, in proportion to the applicable fraction of a share of the Series D Preferred Stock represented by such Series D Depositary Shares, to all the rights and preferences of the Series D Preferred Stock represented thereby (including dividend, voting, redemption and liquidation rights).

Series D Preferred Stock

Authorized Preferred Stock

Our authorized preferred stock consists of 100,000,000 shares, par value $0.01 per share. As of February 18, 2022, we had 70,100 total shares of preferred stock outstanding, of which 14,000 shares were Series D Preferred Stock. The “stated amount” per share of Series D Preferred Stock is $25,000.

Fungibility

We may from time to time, without notice to or the consent of holders of the Series D Depositary Shares and the underlying Series D Preferred Stock, issue additional Series D Preferred Stock and the related Series D Depositary Shares; *provided* that we will only issue additional Series D Preferred Stock and Series D Depositary Shares if they are fungible for tax purposes with the originally issued Series D Preferred Stock and Series D Depositary Shares. The additional shares of Series D Preferred Stock and the related Series D Depositary Shares would be deemed to form a single series with the originally issued Series D Preferred Stock and the related Series D Depositary Shares, respectively. Each share of Series D Preferred Stock shall be identical in all respects to every other share of Series D Preferred Stock, except that shares of

Series D Preferred Stock issued after November 22, 2021, if any, shall accrue dividends from the date determined by our Board (or a duly authorized committee thereof).

General

The Series D Preferred Stock is not be convertible into, or exchangeable for, shares of any other class or series of stock or other securities of Brighthouse Financial or our subsidiaries. The Series D Preferred Stock has no stated maturity and will not be subject to any sinking fund, retirement fund or purchase fund or other obligation of ours to redeem, repurchase or retire the Series D Preferred Stock. The Series D Preferred Stock is issued in uncertificated form.

Transfer Agent and Registrar

Computershare Trust Company, N.A. is the transfer agent, registrar and dividend disbursing agent for the Series D Preferred Stock.

Dividends

Each dividend on a Series D Depositary Share is in an amount equal to 1/1,000th of the dividend declared on each share of the Series D Preferred Stock, except that the amounts distributed to holders of the Series D Depositary Shares will be reduced by any amounts required to be withheld by the Depositary or by us on account of taxes or other governmental charges.

We pay dividends on the Series D Preferred Stock only when, as and if declared by the Board (or a duly authorized committee thereof), out of funds legally available for the payment of dividends. Any such dividends are payable, at a rate of 4.625% per annum, on a non-cumulative basis from the date of original issue, quarterly in arrears on the 25th day of March, June, September and December of each year (each, a “Series D Dividend Payment Date”), commencing on March 25, 2022. Series D Dividend Payment Dates are subject to adjustment for business days.

Dividends are payable to holders of record of the Series D Preferred Stock as they appear on our books on the applicable record date, which shall be the 15th calendar day before that Series D Dividend Payment Date or such other record date fixed by our Board (or a duly authorized committee thereof) that is not more than 60 nor less than 10 days prior to such Series D Dividend Payment Date (each, a “Series D Dividend Record Date”). Dividend record dates will apply regardless of whether a particular Series D Dividend Record Date is a business day.

A “Series D Dividend Period” is the period from, and including, a Series D Dividend Payment Date to, but excluding, the next Series D Dividend Payment Date. Dividends on the Series D Preferred Stock are not cumulative and are not mandatory. Accordingly, if the Board (or a duly authorized committee thereof) has not declared a dividend in respect of any Series D Dividend Period, we have no obligation to pay dividends accrued for such Series D Dividend Period on or after the Series D Dividend Payment Date for that Series D Dividend Period,

whether or not dividends on the Series D Preferred Stock are declared for any future Series D Dividend Period.

During any Series D Dividend Period, so long as any Series D Preferred Stock remains outstanding, unless the full dividends for the latest completed Series D Dividend Period on all outstanding Series D Preferred Stock and parity stock (as defined in this Description of Series D Depositary Shares, including the Series A Preferred Stock, the Series B Preferred Stock and the Series C Preferred Stock) have been declared and paid, or declared and a sum sufficient for the payment thereof has been set aside:

- no dividend shall be paid or declared on our Common Stock or other junior stock (as defined in this Description of Series D Depositary Shares) (other than a dividend payable solely in stock that ranks junior to the Series D Preferred Stock as to the payment of dividends and as to the distribution of assets on any liquidation, dissolution or winding-up of Brighthouse Financial); and

- no monies may be paid or made available for a sinking fund for the redemption or retirement of junior stock, nor shall any Common Stock or other junior stock be purchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than as a result of the reclassification of such junior stock, or the exchange or conversion of one share of such junior stock, in each case, for or into another share of stock that ranks junior to the Series D Preferred Stock as to the payment of dividends and as to the distribution of assets on any liquidation, dissolution or winding-up of Brighthouse Financial).

For any Series D Dividend Period in which dividends are not paid in full upon the Series D Preferred Stock or any parity stock (including the Series A Preferred Stock, the Series B Preferred Stock and the Series C Preferred Stock), all dividends declared for such Series D Dividend Period with respect to the Series D Preferred Stock and such parity stock shall be declared on a pro rata basis.

As used in this Description of Series D Depositary Shares, “junior stock” means our Common Stock, and any other class or series of our capital stock that ranks junior to the Series D Preferred Stock either as to the payment of dividends (whether such dividends are cumulative or non-cumulative) or as to the distribution of assets upon any liquidation, dissolution or winding-up of Brighthouse Financial.

As used in this Description of Series D Depositary Shares, “parity stock” means the Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock and any other class or series of our stock that ranks equally with the Series D Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) and in the distribution of assets on any liquidation, dissolution or winding-up of Brighthouse Financial.

Liquidation Rights

Upon any voluntary or involuntary liquidation, dissolution or winding-up of Brighthouse Financial, holders of the Series D Preferred Stock and any parity stock (including the Series A Preferred Stock, the Series B Preferred Stock and the Series C Preferred Stock) are entitled to receive, out of our assets or proceeds thereof (whether capital or surplus) available for distribution to stockholders, after satisfaction of liabilities and obligations to our creditors, if any, before any distribution of such assets or payment out of our assets may be made or set aside for holders of Common Stock and any other junior stock, a liquidating distribution in the amount of $25,000 per share of Series D Preferred Stock (equivalent to $25.00 per Series D Depositary Share), plus declared and unpaid dividends, without accumulation of any undeclared dividends. Holders of the Series D Preferred Stock will not be entitled to any other amounts from us after they have received their full liquidation preference (as defined in this Description of Series D Depositary Shares).

In any such distribution, if our assets are not sufficient to pay the liquidation preferences in full to all holders of the Series D Preferred Stock and all holders of any parity stock, the amounts paid to the holders of Series D Preferred Stock and to the holders of any parity stock will be paid pro rata in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the "liquidation preference" of any holder of preferred stock means the amount payable to such holder in such distribution (assuming no limitation on our assets available for such distribution), including any declared but unpaid dividends (and any unpaid, accrued cumulative dividends in the case of any holder of stock (other than Series D Preferred Stock) on which dividends accrue on a cumulative basis, whether or not declared, as applicable). If the liquidation preference has been paid in full to all holders of the Series D Preferred Stock and all holders of parity stock, the holders of our junior stock shall be entitled to receive all remaining assets of Brighthouse Financial (or proceeds thereof) according to their respective rights and preferences.

Optional Redemption

If we redeem the Series D Preferred Stock represented by the Series D Depositary Shares, in whole or in part, a corresponding number of Series D Depositary Shares will be redeemed from the proceeds received by the Depositary resulting from the redemption of the Series D Preferred Stock held by the Depositary. The redemption price per Series D Depositary Share will be equal to 1/1,000th of the redemption price per share payable with respect to the Series D Preferred Stock, plus an amount equal to any dividends thereon that, pursuant to the provisions of the Series D Certificate of Designations, are payable upon redemption. Whenever we redeem shares of the Series D Preferred Stock held by the Depositary, the Depositary will redeem, as of the same date of redemption, the number of the Series D Depositary Shares representing shares of the Series D Preferred Stock so redeemed.

The Series D Preferred Stock is not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or other similar provisions. We may redeem the shares of Series D Preferred Stock at our option:

- in whole, but not in part, at any time prior to December 25, 2026 (within 90 days after the occurrence of a “rating agency event” (as defined in this Description of Series D Depositary Shares)) at a redemption price equal to $25,500 per share of Series D Preferred Stock (equivalent to $25.50 per Series D Depositary Share), plus (except as provided below) an amount equal to any dividends per share that have accrued but not been declared and paid for the then-current Series D Dividend Period to, but excluding, the date of redemption; or

- (i) in whole, but not in part, at any time prior to December 25, 2026 (within 90 days after the occurrence of a “regulatory capital event” (as defined in this Description of Series D Depositary Shares)) or (ii) on or after December 25, 2026, in whole at any time or in part from time to time, in each case, at a redemption price equal to $25,000 per share of Series D Preferred Stock (equivalent to $25.00 per Series D Depositary Share), plus (except as provided below) an amount equal to any dividends per share that have accrued but not been declared and paid for the then-current Series D Dividend Period to, but excluding, the date of redemption.

Any declared but unpaid dividends payable on a date of redemption that occurs subsequent to the Series D Dividend Record Date for a Series D Dividend Period will not constitute a part of, or be paid to, the holder entitled to receive the redemption price on the date of redemption, but rather will be paid to the holder of record of the redeemed shares on the Series D Dividend Record Date relating to such Series D Dividend Payment Date.

Holders of the shares of Series D Preferred Stock do not have the right to require the redemption or repurchase of the Series D Preferred Stock.

“Rating agency event” means that any nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act, that then publishes a rating for us (a “rating agency”) amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Series D Preferred Stock, which amendment, clarification or change results in:

- the shortening of the length of time the Series D Preferred Stock are assigned a particular level of equity credit by that rating agency as compared to the length of time they would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the Series D Preferred Stock; or

- the lowering of the equity credit (including up to a lesser amount) assigned to the Series D Preferred Stock by that rating agency as compared to the equity credit assigned by that rating agency or its predecessor on the initial issuance of the Series D Preferred Stock.

“Regulatory capital event” means that we become subject to capital adequacy supervision by a capital regulator and the capital adequacy guidelines that apply to us as a result of being so subject set forth criteria pursuant to which the aggregate stated amount of the Series D Preferred

Stock would not qualify as capital under such capital adequacy guidelines, as we may determine at any time, in our sole discretion.

The Depositary will mail (or otherwise transmit by an authorized method) notice of redemption to holders of the Series D Depositary Shares not less than 30, nor more than 90 days, prior to the date fixed for redemption of the Series D Preferred Stock and the Series D Depositary Shares.

If the Series D Preferred Stock is to be redeemed, the notice of redemption shall be given by first class mail to the holders of record of the Series D Preferred Stock to be redeemed, mailed not less than 30 days, nor more than 90 days, prior to the date fixed for redemption thereof (*provided* that, if the Series D Preferred Stock is held in book-entry form through DTC we may give such notice at such time in any manner permitted by DTC).

If notice of redemption of any Series D Preferred Stock has been duly given, and if the funds necessary for such redemption have been set aside by us for the benefit of the holders of any Series D Preferred Stock so called for redemption, then, from and after the date of redemption, dividends will cease to accrue on such Series D Preferred Stock, and such Series D Preferred Stock shall no longer be outstanding and all rights of the holders of such Series D Preferred Stock will cease and terminate, except the right to receive the amount payable on such redemption, without interest.

In case of any redemption of less than all of the outstanding Series D Depositary Shares, the Series D Depositary Shares to be redeemed will be selected by the Depositary either pro rata or by lot (or, in the event the Series D Depositary Shares are in the form of global depositary receipts, in accordance with the applicable procedures of DTC in compliance with then-applicable rules of Nasdaq). In any such case, the Depositary will redeem the Series D Depositary Shares only in increments of 1,000 Series D Depositary Shares and any integral multiple thereof.

Voting Rights

When the Depositary receives notice of any meeting at which the holders of the Series D Preferred Stock are entitled to vote, the Depositary will mail (or otherwise transmit by an authorized method) the information contained in the notice to the record holders of the Series D Depositary Shares. Each record holder of the Series D Depositary Shares on the record date, which will be the same date as the record date for the Series D Preferred Stock, may instruct the Depositary to vote the amount of the Series D Preferred Stock represented by the holder’s Series D Depositary Shares. Although each Series D Depositary Share is entitled to 1/1,000th of a vote, the Depositary can only vote whole shares of Series D Preferred Stock. To the extent possible, the Depositary will vote the amount of the Series D Preferred Stock represented by the Series D Depositary Shares in accordance with the instructions it receives. We will agree to take all reasonable actions that the Depositary determines are necessary to enable the Depositary to vote as instructed. If the Depositary does not receive specific instructions from the holders of any

Series D Depositary Shares, it will not vote the amount of the Series D Preferred Stock represented by such Series D Depositary Shares.

Except as provided below or as otherwise required by applicable law, the holders of the Series D Preferred Stock will have no voting rights.

Whenever dividends on any Series D Preferred Stock or any other series of voting preferred stock (as defined in this Description of Series D Depositary Shares), including the Series A Preferred Stock, the Series B Preferred Stock and the Series C Preferred Stock, shall have not been declared and paid in an aggregate amount equal to full dividends for at least six quarterly dividend periods, whether or not for consecutive dividend periods (a "nonpayment"), the holders of such Series D Preferred Stock, voting together as a single class with holders of any and all other series of voting preferred stock then outstanding, will be entitled to vote (in proportion to their respective stated amounts) for the election of the Preferred Stock Directors; *provided* that the election of any such directors shall not cause us to violate the corporate governance requirement of Nasdaq (or any other exchange on which our securities may be listed) that listed companies must have a majority of independent directors. In that event, the number of directors on our Board shall automatically increase by two, and the new directors shall be elected at a special meeting called at the request of the holders of record of at least 20% of the stated amount of the Series D Preferred Stock or of any other series of voting preferred stock (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), and at each subsequent annual meeting. These voting rights will continue until dividends on the Series D Preferred Stock and any such series of voting preferred stock for at least four consecutive dividend periods following the nonpayment shall have been fully paid.

As used in this Description of Series D Depositary Shares, "voting preferred stock" means any other class or series of our preferred stock ranking equally with the Series D Preferred Stock either as to the payment of dividends or the distribution of assets upon our liquidation, dissolution or winding-up and upon which like voting rights have been conferred and are exercisable, which includes the Series A Preferred Stock, the Series B Preferred Stock and the Series C Preferred Stock.

If and when dividends for at least four consecutive quarterly dividend periods following a nonpayment have been paid in full, the holders of the Series D Preferred Stock shall be divested of the foregoing voting rights (subject to revesting in the event of each subsequent nonpayment) and, if such voting rights for all other holders of voting preferred stock have terminated, the term of office of each Preferred Stock Director so elected shall terminate and the number of directors on the Board shall automatically decrease by two. In determining whether dividends have been paid for four dividend periods following a nonpayment, we may take account of any dividend we elect to pay for such a dividend period after the regular dividend payment date for that period has passed. Any Preferred Stock Director may be removed at any time with or without cause by the holders of record of a majority of the outstanding Series D Preferred Stock and any other shares of voting preferred stock then outstanding, voting together as a single class in proportion to their

respective stated amounts, when they have the voting rights described above. So long as a nonpayment shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election after a nonpayment) shall be filled by the written consent of the Preferred Stock Director remaining in office, or, solely in the case where no Preferred Stock Director remains in office, by a vote of the holders of record of a majority of the outstanding Series D Preferred Stock and any other shares of voting preferred stock then outstanding, voting together as a single class in proportion to their respective stated amounts. The Preferred Stock Directors shall each be entitled to one vote per director on any matter.

So long as any Series D Preferred Stock remains outstanding, and subject to certain exceptions, we will not take certain corporate actions, without the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series D Preferred Stock and all other series of voting preferred stock entitled to vote thereon (voting together as a single class in proportion to their respective stated amounts), given in person or by proxy, either in writing or at a meeting.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding Series D Preferred Stock shall have been redeemed or called for redemption upon proper notice, and sufficient funds shall have been set aside by us for the benefit of the holders of Series D Preferred Stock to effect such redemption.

Listing

The Series D Depositary Shares are listed on Nasdaq under the symbol “BHFAM”.

Form of the Series D Depositary Shares

The Series D Depositary Shares are represented by one or more global securities that are deposited with and registered in the name of DTC or its nominee.

Depositary

Computershare Inc. and Computershare Trust Company, N.A., collectively is the depositary for our Series D Depositary Shares.

DESCRIPTION OF 2058 DEBENTURES

The following description of the 6.250% Junior Subordinated Debentures due 2058 is a summary and does not purport to be complete. It is subject to, and qualified in its entirety by reference to, the Junior Subordinated Indenture, dated as of September 12, 2018 (the “Junior Subordinate Indenture”), between the Company and U.S. Bank National Association, a national banking association, as trustee (the “Trustee”), as supplemented by the First Supplemental Indenture, dated as of September 12, 2018 (the “First Supplemental Indenture” and, together with the Junior Subordinated Indenture, the “Indenture”), between the Company and the Trustee. You should read the Junior Subordinate Indenture and the First Supplemental Indenture for a full

description of the terms of the 2058 Debentures. The Junior Subordinate Indenture and the First Supplemental Indenture are filed as exhibits to the Annual Report on Form 10-K of which this exhibit is a part and incorporated by reference herein.

General

The 2058 Debentures are junior subordinated debt securities under the Indenture. We may, without notice to or consent of the holders of the 2058 Debentures, re-open and issue additional 6.250% Junior Subordinated Debentures due 2058 having the same ranking, interest rate, maturity date and other terms as the 2058 Debentures as long as the additional debentures are fungible with the 2058 Debentures for U.S. federal income tax purposes and no event of default with respect to the 2058 Debentures will have occurred and be continuing. Any additional 2058 Debentures, together with the 2058 Debentures, will constitute a single series of junior subordinated debt securities under the Indenture.

Principal and Maturity

We initially issued $375 million aggregate principal amount of the 2058 Debentures, which remains the aggregate principal amount outstanding. The 2058 Debentures mature on September 15, 2058. If the maturity date is not a business day, payment of principal and interest to be made on the maturity date will be made on the next business day (but no interest will accrue as a result of such postponement). The 2058 Debentures were issued in denominations of $25 and integral multiples of $25 in excess thereof.

Subordination

The 2058 Debentures are our direct, unsecured obligations. The 2058 Debentures are subordinate and junior in right of payment to all of our present and future “senior indebtedness” (as defined in this Description of 2058 Debentures). The 2058 Debentures rank equally in right of payment with any of our future junior subordinated obligations, including, unless otherwise specified in the applicable prospectus supplement or other offering document, all other series of junior subordinated debt securities issued under the Junior Subordinated Indenture.

If Brighthouse Financial defaults in the payment of any principal of and premium, if any, or interest or any other payment due on any of our senior indebtedness, or if the maturity of any of our senior indebtedness is declared due and payable prior to the date on which it would otherwise have become due and payable, then, unless and until such default is cured or waived or ceases to exist or any acceleration is rescinded or annulled, we will make no payment or distribution of any kind or character, whether in cash, property or securities, with respect to the principal (including any redemption, retirement, purchase or other acquisition of the 2058 Debentures) of and premium, if any, or interest (including any additional interest) on the 2058 Debentures.

If any of the following events occurs, Brighthouse Financial will pay in full all amounts due on our senior indebtedness before it makes under the 2058 Debentures any payment or distribution of assets of Brighthouse Financial of any kind or character, whether in cash, property or securities, to any holder of debentures:

- any dissolution, winding up, liquidation or reorganization of Brighthouse Financial, whether voluntary or involuntary or in bankruptcy, insolvency or receivership;
- any general assignment by Brighthouse Financial for the benefit of creditors;
- any marshaling of Brighthouse Financial's assets or liabilities for the benefit of creditors; or
- other similar proceedings.

For purposes of our junior subordinated debt securities, including the 2058 Debentures, "senior indebtedness" means all amounts due on obligations in connection with any of the following, whether outstanding at the date of execution of the Junior Subordinated Indenture or thereafter incurred, created or assumed, and any amendments, renewals, extensions or modifications of any such obligations:

- the principal of and premium, if any, and interest due in respect of indebtedness of Brighthouse Financial for borrowed money and indebtedness evidenced by securities, debentures, notes, bonds or other written instruments issued by Brighthouse Financial;
- all obligations of Brighthouse Financial as lessee under leases required to be capitalized on its balance sheet under generally accepted accounting principles and leases of property or assets made as part of any sale and lease-back transaction to which Brighthouse Financial is a party;
- all obligations of Brighthouse Financial issued or assumed as the deferred purchase price of property, assets or businesses, all conditional sale obligations of Brighthouse Financial and all obligations of Brighthouse Financial under any title retention agreement (but excluding trade accounts payable in the ordinary course of business);
- all obligations of Brighthouse Financial for the reimbursement on any letter of credit, banker's acceptance, security purchase facility or similar credit transaction;
- all obligations of Brighthouse Financial in respect of commodity contracts, interest rate swap, cap, floor, collar or other agreements, interest rate future or options contracts, currency swap agreements, currency future or option contracts and other similar agreements;

- all obligations of the types referred to above of other persons for the payment of which Brighthouse Financial is responsible or liable as obligor, guarantor or otherwise; and
- all obligations of the types referred to above of other persons secured by any lien on any property or asset of Brighthouse Financial (whether or not such obligation is assumed by Brighthouse Financial).

"Senior indebtedness" does not include:

- indebtedness or monetary obligations to trade creditors created or assumed by Brighthouse Financial in the ordinary course of business in connection with the obtaining of materials or services; or

- any obligation or indebtedness that is, by its terms, subordinated in right of payment to, or ranks equally in right of payment with, the junior subordinated debt securities.

Senior indebtedness shall continue to be senior indebtedness and be entitled to the benefits of the subordination provisions irrespective of any amendment, modification or waiver of any term of such senior indebtedness.

Interest

The 2058 Debentures bear interest at the annual rate of 6.250% from and including September 12, 2018 to but excluding the maturity date or any earlier redemption date, and we pay accrued interest quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, subject to our right to defer interest payments. We refer to each of these dates as an "interest payment date."

Interest payments are made to the persons in whose names the 2058 Debentures are registered at the close of business on March 1, June 1, September 1 or December 1 (whether or not a business day), as the case may be, immediately preceding the relevant interest payment date. We refer to each of these dates as a "regular record date." However, interest payable on the maturity date or on a redemption date that is not an interest payment date is payable to the person to whom the principal is payable. Interest payable on a redemption date that is an interest payment date is payable to the registered holders at the close of business on the relevant regular record date.

Interest payments include accrued interest from, and including, the original issue date, or, if interest has already been paid, from the last date in respect of which interest has been paid or duly provided for to, but excluding, the next succeeding interest payment date, the maturity date or the redemption date, as the case may be. If any date on which interest is payable on the 2058 Debentures is not a business day, then payment of the interest payable on such date will be made

on the next business day (and without any interest or other payment in respect of any such delay).

Any defaulted interest and any interest deferred pursuant to the Indenture (as described below) bears interest, to the extent permitted by applicable law, at an annual rate equal to the rate of interest on the 2058 Debentures from and including the relevant interest payment date compounded on each subsequent interest payment date (such interest referred to in this Description of 2058 Debentures as "additional interest"). References to "interest" in this Description of 2058 Debentures include interest currently accruing on the 2058 Debentures, any accrued and unpaid interest (including any deferred interest) and any additional interest.

Interest payable on the 2058 Debentures is computed on the basis of a 360-day year composed of twelve 30-day months.

Option to Defer Interest Payments

So long as no event of default with respect to the 2058 Debentures has occurred and is continuing, we may, at any time and from time to time, elect to defer interest payments on the 2058 Debentures for one or more consecutive interest periods that do not exceed five years for any single extension period (as defined in this Description of 2058 Debentures). A deferral of interest payments cannot extend, however, beyond the maturity, any earlier accelerated maturity date arising from an event of default or any other earlier redemption of the 2058 Debentures. An "extension period" refers to the period beginning on an interest payment date with respect to which we defer interest and ending on the earlier of (i) the fifth anniversary of that interest payment date and (ii) the next interest payment date on which we have paid all deferred and unpaid interest (including additional interest on such deferred interest) and all other accrued and unpaid interest on the 2058 Debentures.

During an extension period, interest continues to accrue on the 2058 Debentures, and deferred interest payments accrue additional interest at the same rate, compounded on each interest payment date to the extent permitted by applicable law. During an extension period, we are prohibited from paying current interest on the 2058 Debentures until we have paid all accrued and unpaid deferred interest, including any additional interest. No interest otherwise due during an extension period will be due and payable on the 2058 Debentures until the end of such extension period except upon an acceleration arising from an event of default (which will occur only upon certain events of bankruptcy, insolvency, reorganization, winding up or liquidation of Brighthouse Financial (see "—Events of Default")) or redemption of the 2058 Debentures during such extension period.

At the end of five years following the commencement of an extension period, we are required to pay all accrued and unpaid deferred interest, including additional interest, to the persons in whose names the 2058 Debentures are registered at the close of business on the regular record date with respect to the interest payment date at the end of such extension period. If, at the end of any extension period, we have paid all deferred interest due on the 2058

Debentures, including additional interest, we will be entitled again to defer interest payments on the 2058 Debentures as described above.

Payment Restrictions during an Extension Period

After we have given notice of the commencement of an extension period and until we have paid all accrued and unpaid interest on the 2058 Debentures, including additional interest, we will not, and will not permit any of our subsidiaries to:

- declare or pay any dividends or other distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any shares of our capital stock (which includes common stock and preferred stock);

- make any payment of principal of or premium, if any, or interest on or repay, purchase or redeem any of our debt securities ranking equally in right of payment with or junior in right of payment to the 2058 Debentures; or

- make any guarantee payments with respect to any guarantee by us of any securities of any of our subsidiaries if such guarantee ranks equally in right of payment with or junior in right of payment to the 2058 Debentures.

The restrictions listed above will not apply to:

- any dividends or distributions in shares of, or options, warrants or rights to subscribe for or purchase shares of, our capital stock where the dividend stock or stock issuable upon exercise of such options, warrants or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock;

- any declaration of a dividend in connection with the implementation of a stockholder rights plan, or the issuance of rights, capital stock or other property under any such plan, or the redemption or purchase of any such rights pursuant thereto;

- as a result of a reclassification of any series or class of our capital stock or the exchange or conversion of one class or series of our capital stock for or into another class or series of our capital stock;

- any purchase of fractional interests in shares of our capital stock pursuant to an acquisition or the conversion or exchange provisions of such capital stock or the securities being converted or exchanged;

- any purchase, redemption or other acquisition of shares of our capital stock in connection with:

- any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more directors, officers, agents, consultants, employees or independent contractors;

- the satisfaction of our obligations pursuant to any contract outstanding prior to the commencement of the extension period requiring such purchase, redemption or other acquisition;

- a dividend reinvestment or shareholder purchase plan; or

- the issuance of our capital stock, or securities convertible into or exercisable for such capital stock, as consideration in an acquisition transaction, the definitive agreement for which is entered into prior to the extension period;

- any exchange, redemption or conversion of any class or series of our capital stock, or the capital stock of one of our subsidiaries, for any other class or series of our capital stock, or of any class or series of our indebtedness for any class or series of our capital stock; and

- any payment of current or deferred interest on securities that rank equally with the 2058 Debentures in right of payment, which payments are made pro rata to the amounts due on such securities and on the 2058 Debentures, and any payment of principal of or current or deferred interest on securities that rank equally with the 2058 Debentures in right of payment, which, if not made, would cause us to breach the terms of the instrument governing such securities.

Optional Redemption of the 2058 Debentures

We may redeem the 2058 Debentures in increments of $25 principal amount:

- in whole at any time or in part from time to time on or after September 15, 2023 at a redemption price equal to their principal amount plus accrued and unpaid interest (including additional interest, if any) to, but excluding, the date of redemption; provided that, if the 2058 Debentures are not redeemed in whole, at least $25 million aggregate principal amount of the 2058 Debentures must remain outstanding after giving effect to such redemption;

- in whole, but not in part, at any time prior to September 15, 2023, within 90 days of the occurrence of a "tax event," at a redemption price equal to their principal amount plus accrued and unpaid interest (including additional interest, if any) to, but excluding, the date of redemption;

- in whole, but not in part, at any time prior to September 15, 2023, within 90 days of the occurrence of a "regulatory capital event" (as defined in this Description of 2058 Debentures), at a redemption price equal to their principal amount plus

accrued and unpaid interest (including additional interest, if any) to, but excluding, the date of redemption; or

- in whole, but not in part, at any time prior to September 15, 2023, within 90 days of the occurrence of a "rating agency event"(as defined in this Description of 2058 Debentures), at a redemption price equal to 102% of their principal amount plus any accrued and unpaid interest (including additional interest, if any) to, but excluding, the date of redemption.

In addition, if, as a result of any change in, or amendment to, the laws of any jurisdiction other than the United States in which Brighthouse Financial is incorporated, organized or otherwise tax resident or any political subdivision or any authority thereof or therein having power to tax (each, a "Relevant Taxing Jurisdiction") or the official interpretation thereof that is announced or becomes effective on or after the date a Relevant Taxing Jurisdiction becomes a Relevant Taxing Jurisdiction (other than any such change or amendment that is announced before such Relevant Taxing Jurisdiction becomes a Relevant Taxing Jurisdiction), we become or, based upon a written opinion of independent counsel selected by us, will become obligated to pay certain additional amounts with respect to the 2058 Debentures, then we may at any time at our option redeem, in whole, but not in part, such debentures on not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest (including any additional interest) on such debentures to, but excluding, the date fixed for redemption.

"Tax event" means that we will have received an opinion of counsel, rendered by a law firm of nationally recognized standing that is experienced in such matters, to the effect that, as a result of any:

- amendment to or change in (including any promulgation, enactment, execution or modification of) the laws (or any regulations under those laws) of the United States or any political subdivision thereof or therein affecting taxation;

- official administrative pronouncement (including a private letter ruling, technical advice memorandum or similar pronouncement) or judicial decision or administrative action or other official pronouncement interpreting or applying the laws or regulations enumerated in the preceding bullet point, by any court, governmental agency or regulatory authority; or

- threatened challenge asserted in connection with an audit of us, or a threatened challenge asserted in writing against any taxpayer that has raised capital through the issuance of securities that are substantially similar to the 2058 Debentures,

(each of the above, a "change of tax law") which amendment or change is enacted or effective or which pronouncement or decision is announced or which challenge is asserted against us or becomes publicly known on or after the original issue date of the 2058 Debentures, there is more than an insubstantial increase in the risk that interest accruable or payable by us on the 2058

Debentures is not, or within 90 days of the date of such opinion will not be, deductible by us in whole or in part, for U.S. federal income tax purposes; *provided* that a change of tax law under section 163(j) of the Internal Revenue Code of 1986, as amended ("section 163(j)") (including any amendment to section 163(j), and any amendment to or the issuance of regulations or another official administrative pronouncement under section 163(j)), shall not give rise to a "tax event" unless, in the opinion of independent counsel experienced in such matters, the change of tax law under section 163(j) limits, defers or prohibits the deduction of interest on the 2058 Debentures in a manner or to an extent different from interest on senior debt obligations of ours by reason of the specific characteristics of the 2058 Debentures.

"Regulatory capital event" means that we become subject to capital adequacy supervision by a capital regulator and the capital adequacy guidelines that apply to us as a result of being so subject set forth criteria pursuant to which the full principal amount of the 2058 Debentures would not qualify as capital under such capital adequacy guidelines, as we may determine at any time, in our sole discretion.

"Rating agency event" means that any nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act, that then publishes a rating for us (a "rating agency") amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the 2058 Debentures, which amendment, clarification or change results in (a) the shortening of the length of time the 2058 Debentures are assigned a particular level of equity credit by that rating agency as compared to the length of time they would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the 2058 Debentures; or (b) the lowering of the equity credit (including up to a lesser amount) assigned to the 2058 Debentures by that rating agency compared to the equity credit assigned by that rating agency or its predecessor on the initial issuance of the 2058 Debentures.

If less than all of the 2058 Debentures are to be redeemed, the Trustee will select, pro rata, by lot or in such manner it deems fair and appropriate in its discretion and otherwise in accordance with the customary procedures of the Depositary, the 2058 Debentures, or portions of the 2058 Debentures, to be redeemed. We may redeem the 2058 Debentures and portions of the 2058 Debentures in amounts of $25 and integral multiples of $25 in excess thereof.

We may not redeem the 2058 Debentures in part unless all accrued and unpaid interest, including additional interest, has been paid in full on all outstanding 2058 Debentures for all interest periods terminating on or before the redemption date.

On and after the date of redemption, interest will cease to accrue on the 2058 Debentures or any portion of the 2058 Debentures called for redemption, unless we default in the payment of the redemption amount.

The 2058 Debentures are not entitled to any sinking fund or analogous requirement.

Additional Amounts

We will, subject to the exceptions and limitations set forth below, pay as additional interest on the 2058 Debentures such additional amounts as are necessary in order that the net payment by us or any paying agent of the principal of and interest on each of the 2058 Debentures after withholding or deduction solely with respect to any present or future tax, assessment or other governmental charge (collectively, "Taxes") imposed by or on behalf of any jurisdiction other than the United States in which Brighthouse Financial is incorporated, organized or otherwise tax resident or any political subdivision or any authority thereof or therein having power to tax (each, a "Relevant Taxing Jurisdiction"), will not be less than the amount provided in the 2058 Debentures to be then due and payable; provided, however, that the foregoing obligation to pay additional amounts will not apply to:

a) any Taxes which would not have been so imposed, withheld or deducted but for:

   1) the existence of any present or former connection between such holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder or other equity owner of, or a person having a power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, a trust, a limited liability company, a partnership, a corporation or other entity) and the Relevant Taxing Jurisdiction, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, member, shareholder or other equity owner or person having such a power) being or having been a citizen or resident or treated as a resident of the Relevant Taxing Jurisdiction or being or having been engaged in a trade or business in the Relevant Taxing Jurisdiction or being or having been present in the Relevant Taxing Jurisdiction or having or having had a permanent establishment in the Relevant Taxing Jurisdiction; or

   2) the failure of such holder or beneficial owner to comply with any applicable certification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of such holder or beneficial owner or otherwise to establish entitlement to a partial or complete exemption from such Taxes (including, without limitation, any documentation requirement under an applicable income tax treaty);

b) any Taxes which would not have been so imposed, withheld or deducted but for the presentation by the holder or beneficial owner of such 2058 Debentures for payment on a date more than 10 days after the date on which such payment became due and payable or the date on which payment of the 2058 Debentures is duly provided for and notice is given to holders, whichever occurs later, except to the extent that the holder or beneficial owner would have been entitled to such additional amounts on presenting such 2058 Debentures on any date during such 10-day period;

c) any estate, inheritance, gift, sales, transfer, personal property, excise, wealth or similar Taxes;

d) any Taxes which are payable otherwise than by withholding from any payment of principal of or interest on such 2058 Debentures;

e) any Taxes which are payable by a holder that is not the beneficial owner of the 2058 Debentures or a portion of the 2058 Debentures, or that is a fiduciary, partnership, limited liability company or other similar entity, but only to the extent that a beneficial owner, a beneficiary or settlor with respect to such fiduciary or member of such partnership, limited liability company or similar entity would not have been entitled to the payment of an additional amount had such beneficial owner, settlor, beneficiary or member received directly its beneficial or distributive share of the payment;

f) any Taxes required to be withheld by any paying agent from any payment of principal or interest on the 2058 Debentures, if such payment can be made without such withholding by any other paying agent;

g) any Taxes that would not have been imposed, withheld or deducted but for a change in any law, treaty, regulation, or administrative or judicial interpretation that becomes effective after the applicable payment becomes due or is duly provided for, whichever occurs later, to the extent such change in law, treaty, regulation or administrative interpretation would apply retroactively to such payment;

h) any Taxes imposed, withheld or deducted under Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (or any amended or successor provisions that are substantively comparable), FATCA, any agreement (including any intergovernmental agreement) entered into in connection therewith, or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement in respect of FATCA; or

i) any combination of items (a), (b), (c), (d), (e), (f), (g) and (h).

For purposes of this section, the acquisition, ownership, enforcement or holding of or the receipt of any payment with respect to the 2058 Debentures will not constitute a connection (1) between the holder or beneficial owner and the Relevant Taxing Jurisdiction or (2) between a fiduciary, settlor, beneficiary, member or shareholder or other equity owner of, or a person having a power over, such holder or beneficial owner if such holder or beneficial owner is an estate, a trust, a limited liability company, a partnership, a corporation or other entity and the Relevant Taxing Jurisdiction.

Any reference in the Indenture or in the 2058 Debentures to principal or interest shall be deemed to refer also to additional amounts which may be payable under the provisions of this section.

Except as specifically provided in the 2058 Debentures, we will not be required to make any payment with respect to any tax, duty, assessment or other governmental charge imposed by any government or any political subdivision or taxing authority of or in any government or political subdivision.

Reporting Covenant

Unless we have filed the financial statements referred to in (a) and (b) below with the SEC in accordance with the following paragraph, the Junior Subordinated Indenture requires us to post on our public website (and to make available to the Trustee and holders of the 2058 Debentures, without cost to any holder, within 15 days after we post them on our public website):

a) within 90 days after the end of each fiscal year, our audited annual financial statements, together with the related report of our independent auditors thereon, prepared in accordance with the requirements that would be applicable to such audited annual financial statements if appearing in an Annual Report on Form 10-K filed by us as a non-accelerated filer (within the meaning of Rule 12b-2 under the Exchange Act) subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act, or any successor or comparable form; and

b) within 55 days after the end of each of the first three fiscal quarters of each fiscal year, our unaudited interim financial statements, prepared in accordance with the requirements that would be applicable to such unaudited interim financial statements if appearing in a Quarterly Report on Form 10-Q filed by us as a non-accelerated filer (within the meaning of Rule 12b-2 under the Exchange Act) subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act, or any successor or comparable form.

For so long as we are subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act, the Junior Subordinated Indenture requires us to file with the Trustee and make available to holders of the 2058 Debentures (without exhibits), without cost to any holder, all documents we file with, or furnish to, the SEC under the Exchange Act, within 15 days after we file them with, or furnish them to, the SEC. Any such documents that are publicly available through the SEC's EDGAR system (or any successor system) shall be deemed to have been filed with the Trustee and made available to holders in accordance with our obligations under the Junior Subordinated Indenture.

Events of Default

An "event of default" with respect to the 2058 Debentures occurs only upon certain events of bankruptcy, insolvency, reorganization, winding up or liquidation of Brighthouse Financial.

If an event of default were to occur, the principal amount of the 2058 Debentures would automatically become due and payable without any declaration or other action on the part of the

trustee or any holder of the 2058 Debentures. However, there will be no right of acceleration of principal and accrued but unpaid interest on the 2058 Debentures in the case of (i) any default in the payment of principal of or premium, if any, or interest (including any deferred interest or additional interest) or (ii) any failure by us to comply with any covenant contained in the Indenture.

Notwithstanding the foregoing, the Junior Subordinated Indenture provides that, in the case of a default in the payment of principal of or premium, if any, or interest on the 2058 Debentures, including any additional interest, when the same has become due and payable, and in the case of any payment of interest (other than deferred interest), such default has continued for 30 calendar days (and, in the case of payment of deferred interest, such default has continued for 30 calendar days after the conclusion of any extension period), the Trustee or the holder of a debenture may or, if directed by the holders of a majority in principal amount of the 2058 Debentures, the Trustee shall, subject to the provisions of the Junior Subordinated Indenture, demand payment of the amount then due and payable and may institute legal proceedings for the collection of such amount if we fail to make payment thereof upon demand.

Modification of the 2058 Debentures

Under the Junior Subordinated Indenture, Brighthouse Financial and the Trustee may supplement the Junior Subordinated Indenture for certain purposes without the consent of the holders of the junior subordinated debt securities of any series, including the 2058 Debentures, for, among other purposes, one or more of the following:

- to cure any ambiguity, defect or inconsistency;

- to add to Brighthouse Financial’s covenants for the benefit of the holders of junior subordinated debt securities of any series or to surrender any right or power conferred upon Brighthouse Financial under the indentures;

- to add to, delete from, or revise the conditions, limitations, and restrictions on the authorized amount, terms, or purposes of issue, authentication, and delivery of junior subordinated debt securities, as set forth in the indentures;

- to make any change that does not materially adversely affect the rights of any holder of junior subordinated debt securities of any series; provided that any change to the terms of any indenture or supplemental indenture or to any series of junior subordinated debt securities made solely to conform to the description of such series of junior subordinated debt securities in an offering document, prospectus supplement or other similar offering document relating to the initial offering of such series of junior subordinated debt securities shall be deemed to not materially adversely affect the rights of the holders of such series of junior subordinated debt securities;

- to provide for the issuance of and establish the form and terms and conditions of the junior subordinated debt securities of any series, to establish the form of any certifications required to be furnished pursuant to the terms of any indenture or any series of junior subordinated debt securities, or to add to the rights of the holders of any series of junior subordinated debt securities; or

- to add any additional events of default for the benefit of the holders of any series of junior subordinated debt securities.

Brighthouse Financial and the Trustee may modify the Junior Subordinated Indenture or any supplemental indenture, including the First Supplemental Indentures, in a manner that affects the interests or rights of the holders of junior subordinated debt securities, including the 2058 Debentures, with the consent of the holders of at least a majority in aggregate principal amount of the outstanding junior subordinated debt securities of each affected series issued under the Junior Subordinated Indenture. However, the Junior Subordinated Indenture requires the consent of each holder of junior subordinated debt securities (including the 2058 Debentures) that would be affected by any modification which would:

- except as permitted by the Junior Subordinated Indenture and the terms of such series of junior subordinated debt securities, extend the fixed maturity of any junior subordinated debt securities of any series, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest (including additional interest) thereon, or reduce any premium payable upon the redemption thereof;

- reduce the amount of principal of an original issue discount junior subordinated debt security or any other junior subordinated debt security payable upon acceleration of the maturity thereof;

- change the obligation of Brighthouse Financial to maintain an office or agency and for the purposes specified in the Junior Subordinated Indenture;

- change the currency in which any junior subordinated debt security or any premium or interest is payable;

- impair the right to enforce any payment on or with respect to any junior subordinated debt security;

- adversely change the right to convert or exchange, including decreasing the conversion rate or increasing the conversion price of, any junior subordinated debt security (if applicable);

- reduce the percentage in principal amount of outstanding junior subordinated debt securities of any series, the consent of whose holders is required for modification or amendment of the junior subordinated indenture or for waiver of compliance

with certain provisions of the junior subordinated indenture or for waiver of certain defaults; or

- modify any of the above provisions.

In addition, we and the Trustee may execute, without consent, any supplemental indenture for the purpose of creating any new series of junior subordinated debt securities**.**

Consolidation, Merger, Sale of Assets and Other Transactions

The Indenture provides that so long as the 2058 Debentures are outstanding, (i) we may not merge with or into or consolidate with another entity, (ii) we may not sell, assign, transfer, lease or convey all or substantially all of our properties and assets to, any other entity other than one of our direct or indirect wholly owned subsidiaries, (iii) no entity may merge with or into or consolidate with us or (iv) except for any of our direct or indirect wholly owned subsidiaries, no other entity may sell, assign, transfer, lease or convey all or substantially all of its properties and assets to us, in each case unless:

- we are the surviving corporation; or the entity formed by or surviving such merger or consolidation or to which such sale, assignment, transfer, lease or conveyance has been made, if other than us, is organized and validly existing under the laws of the United States of America, any State thereof, the District of Columbia, Bermuda, the Cayman Islands or any country or state that is a member of the Organization of Economic Cooperation and Development and has expressly assumed by supplemental indenture all of our obligations under the 2058 Debentures and the Indenture;

- immediately after giving effect to such transaction, no default or event of default or event that, after notice or lapse of time or both would become an event of default has occurred and is continuing; and

- we deliver to the Trustee an officers' certificate and an opinion of counsel, each to the effect that the supplemental indenture, if applicable, required in connection with the transaction and such merger, sale, assignment, transfer, lease or other disposition complies with the Junior Subordinated Indenture.

The Successor will be our successor, and will succeed to, and be substituted for, and may exercise every right and power of, Brighthouse under the Indenture and become the obligor on the 2058 Debentures with the same effect as if the Successor had been named as the issuer under the Indenture, and thereafter we shall be relieved of all of our obligations and covenants under the Indenture, but, in the case of a lease of all or substantially all of our properties and assets, we will not be released from our obligations to pay the principal of, premium, if any, and interest on the 2058 Debentures.

Discharge, Defeasance and Covenant Defeasance

Brighthouse Financial may discharge certain obligations to holders of the 2058 Debentures issued under the Indenture which have not already been delivered to the Trustee for cancellation and which have either become due and payable or are by their terms due and payable within one year (or scheduled for redemption within one year) by irrevocably depositing with the Trustee cash or U.S. governmental obligations (as defined in the Indenture), without reinvestment, as trust funds in an amount certified to be sufficient to pay when due, whether at maturity, upon redemption or otherwise, the principal of (and premium, if any) and interest on the 2058 Debentures.

The Indenture will not be discharged as described above if Brighthouse Financial has defaulted in the payment of principal of, premium, if any, or interest on any senior indebtedness, as defined in the Junior Subordinated Indenture, and that default is continuing or another event of default on the senior indebtedness then exists and has resulted in the senior indebtedness becoming or being declared due and payable prior to the date it otherwise would have become due and payable.

Brighthouse Financial may elect either (i) to defease and be discharged from any and all obligations with respect to the 2058 Debentures (“Defeasance”) or (ii) to be released from its obligations with respect to certain covenants applicable to the 2058 Debentures (“Covenant Defeasance”) upon the irrevocable deposit with the Trustee, in trust for such purpose, of money or government obligations which, through the payment of principal and interest in accordance with their terms, will provide money in an amount certified to be sufficient, without reinvestment, to pay the principal of (and premium, if any) or interest on the 2058 Debentures to maturity or redemption, as the case may be, and any mandatory sinking fund or analogous payments thereon. As a condition to Defeasance or Covenant Defeasance, Brighthouse Financial must deliver to the Trustee an opinion of counsel to the effect that the holders of the 2058 Debentures will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Defeasance or Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such Defeasance or Covenant Defeasance had not occurred. Such opinion of counsel, in the case of Defeasance under clause (i) above, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable U.S. federal income tax law occurring after the date of the Junior Subordinated Indenture. In addition, in the case of either Defeasance or Covenant Defeasance, Brighthouse Financial shall have delivered to the Trustee (i) an officers’ certificate to the effect that Nasdaq has informed it that the 2058 Debentures will not be delisted as a result of such deposit, and (ii) an officers’ certificate and an opinion of counsel, each to the effect that all conditions precedent with respect to such Defeasance or Covenant Defeasance have been complied with.

Brighthouse Financial may exercise its Defeasance option with respect to the 2058 Debentures notwithstanding its prior exercise of its Covenant Defeasance option.

Actions Not Restricted by the Indenture

The Indenture does not limit our ability to incur any type of indebtedness or other obligation; to create liens on our property for any purpose; to pay dividends or make distributions on our capital stock or redeem our capital stock, except during an extension period; or to make payments on any senior indebtedness.

The Indenture does not require the maintenance of any financial ratios or specified levels of net worth or liquidity. In addition, the indenture does not contain any provisions that require us to repurchase or redeem or modify the terms of any of the 2058 Debentures upon a change of control or other event involving us that may adversely affect the creditworthiness of the 2058 Debentures.

Listing

The 2058 Debentures are listed on Nasdaq under the symbol “BHFAL”.

Exhibit 21.1

SUBSIDIARIES OF BRIGHTHOUSE FINANCIAL, INC.
As of 12/31/2021

Name of Subsidiary	Jurisdiction of Incorporation of Organization
Brighthouse Assignment Company	Connecticut
Brighthouse Connecticut Properties Ventures, LLC	Delaware
Brighthouse Holdings, LLC	Delaware
Brighthouse Investment Advisers, LLC	Delaware
Brighthouse Life Insurance Company	Delaware
Brighthouse Life Insurance Company of NY	New York
Brighthouse Reinsurance Company of Delaware	Delaware
Brighthouse Renewables Holding, LLC	Delaware
Brighthouse Securities, LLC	Delaware
Brighthouse Services, LLC	Delaware
Daniel/Brighthouse Midtown Atlanta Master Limited Liability Company	Delaware
ML 1065 Hotel, LLC	Delaware
Euro TI Investments LLC	Delaware
Euro TL Investments LLC	Delaware
Greater Sandhill I, LLC	Delaware
New England Life Insurance Company	Massachusetts
The Prospect Company, LLC	Delaware
TIC European Real Estate LP, LLC	Delaware
TLA Holdings LLC	Delaware
TLA Holdings II LLC	Delaware
1075 Peachtree, LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the below listed registration statements of our reports dated February 24, 2022, relating to the financial statements of Brighthouse Financial, Inc. and the effectiveness of Brighthouse Financial, Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2021.

Form S-3:
No. 333-259372

Form S-8:
No. 333-225197

/s/ DELOITTE & TOUCHE LLP
Charlotte, North Carolina
February 24, 2022

Exhibit 31.1

CERTIFICATIONS

I, Eric T. Steigerwalt, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: February 24, 2022

/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 Annual Report on Form 10-K 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: February 24, 2022

/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 Annual Report on Form 10-K for the year ended December 31, 2021 (the “Form 10-K”) 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-K fairly presents, in all material respects, the financial condition and results of operations of Brighthouse Financial, Inc.

Date: February 24, 2022

/s/ Eric T. Steigerwalt

Eric T. Steigerwalt
President and Chief Executive Officer

This certification accompanies this Annual Report on Form 10-K 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 Annual Report on Form 10-K for the year ended December 31, 2021 (the "Form 10-K") 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-K fairly presents, in all material respects, the financial condition and results of operations of Brighthouse Financial, Inc.

Date: February 24, 2022

/s/ Edward A. Spehar

Edward A. Spehar
Executive Vice President and Chief Financial Officer

This certification accompanies this Annual Report on Form 10-K 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.