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BHF.OQ - Q3 2021 Brighthouse Financial Inc Earnings Call

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OVERVIEW:

BHF reported 3Q21 results with adjusted earnings, excluding the impact from notable items, of $514m.

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Brighthouse Financial's Third Quarter 2021 Earnings Conference Call. My name is Jonathan and I will be your coordinator today. (Operator Instructions) As a reminder, the conference call is being recorded for replay purposes. Also, we ask that you refrain from using cellphones, speakerphones or headsets during the question-and-answer portion of today's call.

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

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

Good morning, and thank you for joining Brighthouse Financial's Third Quarter 2021 Earnings Call. Our earnings release, slide presentation and financial supplement were released last night and can be accessed on the Investor Relations section of our website. We encourage you to review all of these materials.

Today, you will hear from Eric Steigerwalt, our President and Chief Executive Officer; and Ed Spehar, our Chief Financial Officer. Following our prepared remarks, we will open the call up for a question-and-answer period. Also here with us today to participate in the discussions are other members of senior management.

Our discussion during this call may include forward-looking statements within the meaning of the federal securities laws. Brighthouse Financial's actual results may differ materially from the results anticipated in the forward-looking statements as a result of risks and uncertainties described from time to time in Brighthouse Financial's filings with the U.S. Securities and Exchange Commission. Information discussed on today's call speaks only as of today, November 5, 2021. The company undertakes no obligation to update any information discussed on today's call.

During this call, we will be discussing certain financial measures used by management that are not based on generally accepted accounting principles, also known as non-GAAP measures. Reconciliations of these non-GAAP measures on a historical basis to the most directly comparable GAAP measures and related definitions may be found on the Investor Relations portion of our website, in our earnings release, slide presentation or financial supplement. And finally, references to statutory results including certain statutory-based measures used by management are preliminary due to the timing of the filing of the statutory statements.

I now will turn the call over to our CEO, Eric Steigerwalt.

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

Thank you, Dana, and good morning, everyone. Thank you all for joining us. Brighthouse delivered strong results in the third quarter of 2021 as we continued to execute on our strategy, focused on growing sales, managing expenses, unlocking capital and repurchasing our common stock.

Beginning with sales, I am very pleased with our strong sales results this quarter. Total annuity sales were approximately $2.4 billion in the third quarter, up 1% compared with the third quarter of 2020. We reported another quarter of record sales for both our flagship Shield Level annuities and our variable annuities with FlexChoice Access. Combined, our VA and Shield product sales were up 54% compared with the third quarter of 2020 and ahead of our expectations.

Fixed rate annuity sales were lower quarter-over-quarter as expected as we took repricing actions in the second half of 2020 given the low interest rate environment. The continued strong sales in the third quarter considerably offset annuity outflows. Total annuity net outflows were $587 million in the quarter. As we've said previously, we expect to see the continuation of a favorable shift in our business mix over time as we add more cash flow generating and less capital-intensive new business, coupled with the runoff of older, less profitable business.

Our life insurance sales in the third quarter were also ahead of our expectations and up 4% compared with the second quarter of 2021 at approximately $27 million. I remain very pleased with the progress that we are making as we continue to execute on our life insurance strategy and work to add distribution partners, bring on additional wholesalers and enhance and add to our product mix.

In the third quarter, we further grew our distribution footprint for our flagship life insurance product, SmartCare, by strategically expanding into the brokerage general agency or BGA distribution channel and adding new firms, resulting in approximately 14,000 additional financial professionals providing access to SmartCare. We remain focused on further expanding our distribution footprint as well as enhancing our existing suite of products.

In August, we announced the launch of several enhancements to our Shield Level annuities. We're excited about these enhancements, which we believe further bolster the attractiveness of Shield to our distribution partners and the clients they serve. Before moving on from sales, I would like to take a moment to thank our distributors for their outstanding partnership and all the work they do every day on behalf of their clients and our customers.

Moving to expenses. In the third quarter, corporate expenses, which do not include establishment costs, were $222 million, in line with our expectations. Establishment costs were approximately $25 million. We previously committed to a cumulative $175 million reduction in corporate expenses by year-end 2021 relative to our first year as a public company. We remain focused on achieving our expense reduction target. With that said, we will continue to invest in our infrastructure to enhance the service and support we provide our distributors and their financial professionals as well as our policyholders.

Turning to capital. In August, Brighthouse Reinsurance Company of Delaware, or BRCD, paid a $600 million extraordinary dividend to its parent company, Brighthouse Life Insurance Company, or BLIC. We continue to focus on optimizing statutory capital to support our balance sheet strength. Our strong statutory balance sheet and substantial holding company cash continue to support our robust common stock repurchase strategy.

In the third quarter of 2021, we repurchased approximately $149 million of our common stock. And through November 2, we repurchased an additional $61 million of our common stock. Since the announcement of our first stock repurchase authorization in August of 2018 through November 2 of this year, we have repurchased a total of more than $1.4 billion of our common stock.

This represents a reduction of more than 34% of shares outstanding from the time we became an independent public company and brings us to almost 95% of the way to achieving our capital return target of $1.5 billion by the end of this year. We also have approximately $877 million remaining under our current $1 billion stock repurchase authorization, which we announced this past August.

Moving to other results in the third quarter. As I said, Brighthouse delivered another quarter of strong results. Our balance sheet and liquidity position remained robust in the third quarter, and our hedging program performed as expected. We estimate that our combined risk-based capital or RBC ratio was between 520% and 540%, well above our target of between 400% and 450% in normal markets.

Additionally, we ended the quarter with liquid assets at the holding company of approximately $1.5 billion. Adjusted earnings results overall were ahead of expectations as investment income from alternative investments was very strong given the second quarter market performance, and the underwriting margin was higher than the prior quarter. In addition, as I mentioned earlier, we delivered another strong quarter of sales results, and we continued to prudently manage expenses.

Ed will provide more details on our financial results in a moment. To wrap up, I am very pleased with the progress that we have made as we continue to execute on our focused strategy. Sales in the third quarter were better than expected and we continued to expand our distribution footprint and enhance our product portfolio.

In addition, we repurchased more of our common stock, bringing us, as I said, to almost 95% of the way to achieving our goal of returning $1.5 billion to our shareholders by the end of this year. We remain focused on our mission to help people achieve financial security and on our strategy, which we believe will enable us to generate long-term value for our shareholders, our distribution partners, and the clients they serve.

With that, I'll turn it over to Ed to discuss our financial results in more detail. Ed?

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

Thank you, Eric, and good morning, everyone. I'm very pleased with third quarter financial results and the strength of the balance sheet, which is demonstrated by the preliminary statutory results and holding company cash we reported last night.

As noted in the earnings materials, results for the third quarter of 2021 reflect the impact of our annual actuarial review. This review is a substantial undertaking as we evaluate all of our long-term assumptions. Overall, the assumption update had an unfavorable impact to GAAP net income of $116 million.

There were no significant changes to policyholder behavior assumptions for variable annuities or VA or mortality assumptions for life insurance. This year's review included the valuation system conversion of the Shield annuities block of business to our future state platform. This conversion had a modest negative impact on GAAP results, but a positive impact on both statutory total adjusted capital and the risk-based capital, or RBC ratio.

Now turning to preliminary statutory results. Combined statutory total adjusted capital, or TAC, increased to $9.7 billion at September 30 from $9.4 billion at June 30. The increase was driven by the $600 million dividend paid from Brighthouse Reinsurance Company of Delaware, or BRCD, to Brighthouse Life Insurance Company, or BLIC. The benefit to TAC was partially offset by the impact from negative market performance in the quarter as VA separate account returns were negative 0.4% and interest rates were essentially unchanged.

The capital release from BRCD is a good example of our continued focus on optimizing statutory capital. As I mentioned last quarter, we plan to take an ordinary dividend from BLIC in the fourth quarter that is at least half of our remaining $483 million of ordinary dividend capacity. This would be in addition to the $250 million dividend paid to the holding company in the second quarter.

At September 30, we estimate that the combined RBC ratio increased to a range of 520% to 540%, which is up 40 points sequentially and well above our target range of 400% to 450% in normal markets. The increase in the estimated RBC ratio is primarily due to the $600 million dividend from BRCD.

Finally, the negative separate account returns in the quarter along with essentially no change in interest rates contributed to an unfavorable result for normalized statutory earnings. In addition, while the underwriting margin returned to a more normal level, there were a variety of items that contributed to a non-VA loss in the quarter. Year-to-date through September 30, we reported a normalized statutory loss of approximately $200 million.

Moving to adjusted earnings. Third quarter adjusted earnings, excluding the impact from notable items, were $514 million, which compares with adjusted earnings on the same basis of $458 million in the second quarter of 2021 and $388 million in the third quarter of 2020. Results in the third quarter of 2021 were primarily driven by higher net investment income compared with our quarterly run rate expectation.

There were 2 notable items in the quarter, which, on a combined basis, lowered adjusted earnings by $64 million. The notable items on an after-tax basis were: a $44 million net unfavorable impact related to the annual actuarial assumption review, including the valuation system conversion for our Shield block of business, and establishment costs of $20 million in Corporate & Other.

Before getting into the segment results, I would like to provide some perspective on the strong net investment income and the third quarter underwriting margin. For net investment income, the positive market performance in the second quarter of 2021 resulted in continued excess returns in alternative investments above our long-term expectation of 9% to 11% per year.

This was the primary driver of approximately $245 million after tax of earnings above our quarterly run rate expectation. As a reminder, we generally report alternative investment income on a 1-quarter lag. Asset growth also contributed to the favorable net investment income performance in the quarter.

Moving to underwriting. The underwriting margin in the third quarter improved sequentially and included approximately $9 million of pretax net claims related to COVID-19. Our direct claims in the quarter, excluding the impact from COVID-19, were in the normal range of $400 million to $500 million. And the reinsurance offset, which was low in the first 2 quarters of this year, returned to a more normal level.

Now turning to adjusted earnings at the segment level. Starting with annuities. Adjusted earnings, excluding notable items, were $343 million in the quarter. Net investment income and fees were both higher sequentially, partially offset by higher reserves as a result of lower VA separate account returns in the third quarter. The Life segment reported adjusted earnings, excluding notable items, of $107 million in the quarter. Sequentially, results reflect a higher underwriting margin and higher net investment income.

Adjusted earnings in the Run-off segment, excluding notable items, were $127 million in the quarter. Sequentially, results were driven by higher net investment income and a higher underwriting margin. Corporate & Other had an adjusted loss, excluding notable items, of $63 million. Sequentially, results were driven by lower expenses and higher net investment income, partially offset by a lower tax benefit.

Overall, I am pleased with our results in the third quarter. We maintained our strong capital position while continuing to return substantial capital to shareholders. We remain committed to managing the balance sheet and holding company cash under a multiyear, multi-scenario framework, which we believe is the best way to support our distribution franchise and the evolution of our business mix over time.

With that, we'd like to turn the call over to the operator for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) I show our first question comes from the line of Elyse Greenspan from Wells Fargo.

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

My first question, in prior quarters, you guys used to talk to and, I think, last quarter a $3 to $3.20 quarterly run rate earnings and underwriting was more favorable this quarter and you mentioned some other items. So what do you think net-net where you are relative to that range you provided last quarter?

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

So if you look at average shares outstanding this quarter, they're down more than 3% from the second quarter. And so that change alone would equate to more than $0.10 a share. So I think it is fair to assume that the range is a bit higher than what we had talked about last quarter.

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

Okay. And within that commentary, like, I guess, going forward, you would expect the reinsurance offset, which I know you mentioned returned to more normal levels this quarter, that, that will kind of stay in those normalized levels going forward, right?

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

That's correct.

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

Okay. And then a lot of companies this quarter have started providing some disclosure on the LDTI accounting changes. We're just wondering if we could get kind of an update from Brighthouse. And then is there a target date that you guys have just to provide more quantitative disclosures as well?

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

Sure. So as you might expect, we've dedicated substantial resources to this program. And we created, I would say, a very strong governance framework around it. I would think we'll be in a position to give some estimate of impact in the second half of next year. And obviously, GAAP is important as a public company, but I just would remind you that our ability to generate distributable cash flows to, for example, buy back stock will be unaffected by any GAAP accounting change. And as you know, we focus on running the company based on statutory balance sheet and holding company cash.

Operator

I show next question comes from the line of Erik Bass from Autonomous Research.

Erik James Bass - *Autonomous Research LLP - Partner of US Life Insurance*

I realize it's still early in the life of the buffered annuity market. But I was hoping you could talk a little bit about what you're seeing in terms of policyholder behavior at the end of the product term. And are people rolling over into a new Shield annuity or is there a lot of churn between companies? And as the market becomes more competitive, is this a risk like what we saw with VAs historically?

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

Again, we just completed our annual actuarial review. And I can tell you that we have enough experience now with Shield that -- and as a result of the review, there was no material impact this quarter from any change in assumptions for Shield. Obviously, we revised assumptions, but in terms of materiality, nothing that I would call out.

Erik James Bass - *Autonomous Research LLP - Partner of US Life Insurance*

Got it. I guess I was thinking less about assumptions, but more just as the market matures since this is a product with kind of an end time point to it. Kind of just from a growth perspective, do you see -- is there a risk of kind of rolling over the product into new Shield annuities or do you think across the industry as there's more competitors with offerings out there that you'll see more sort of trading of business between companies?

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

Erik, it's Myles Lambert speaking. So I think you're accurate in predicting that. I think that as these contracts come out of surrender, you'll see movement either replacing it internally based on a company offering a new competitive offering or you could see movement to other carriers.

I think it's a little early on to say that since a lot of these products are still new in the market and under surrender. But I would expect that you will see movement either internally with the existing carrier, assuming they have a competitive offering, or you could see it move to another competitor.

Conor Ernan Murphy - *Brighthouse Financial, Inc. - Executive VP & COO*

Erik, it's Conor. Let me just add a little bit to help. You're right. I mean we were issuing 6-year products back in 2015, which, of course, are at that 6-year term. But if you look at the overall flows or the outflows in the quarter, it's been very, very consistent with prior quarters and all of Brighthouse's existence. So there's really not a factor of, call it, Shield. I think there's an element, certainly, but nothing significant in terms of Shield outflows impacting that overall flows picture, if that helps you as well.

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

Yes. That was my point, is -- we have not seen anything related to lapsation of products that would -- that had any material impact on financial results when we talk about the assumption review this quarter.

Erik James Bass - *Autonomous Research LLP - Partner of US Life Insurance*

Got it. And that would hold true for your legacy VA block as well because I know we've seen a few companies, including, I think, Met that made lapse assumption changes on VAs as well.

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

Yes, we had no significant impact from any policyholder behavior changes for VA. And just as a reminder, we did have some meaningful impacts from changing lapses and withdrawal assumptions for VA in the 2017 and 2018 actuarial review.

Operator

I show our next question comes from the line of Humphrey Lee from Dowling & Partners.

Humphrey Lee - *Dowling & Partners Securities, LLC - Research Analyst*

In your script, you talked about you're planning to upstream at least half the remaining $500 million of dividend capacity from BLIC. As we think about that, like what are the factors that may affect the level that you upstream, whether it be $250 million or higher than that?

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

Well, I'm not going to get more specific than what I said about at least half. We also intend to take our annual dividend from NELICO in the fourth quarter. And just anticipating a question on dividends, I will say that if we look to 2022, our base expectation is we take a dividend from BLIC. As you know, our base assumption is that markets go up in line with a more normal rate of return and that interest rates are slowly increasing. I would say next year, even if markets are where they are today and interest rates are where they are today, I would expect we'd take a dividend from BLIC.

Humphrey Lee - *Dowling & Partners Securities, LLC - Research Analyst*

Okay. All right. Fair enough. My second question is shifting to sales. So as you pointed out, sales were very good for this quarter, and you talked about some of the distribution expansion. Do you anticipate more kind of distribution expansion in the coming quarters that could drive further sales improvement for both Shield and your Life products?

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

It's Myles again. So the answer to that question is absolutely. Two months ago, we launched another new major distributor for our Shield product as well as we also launched a number of new firms for SmartCare. We also expanded into the BGA channel, as Eric mentioned earlier, to sell SmartCare, which it's providing us access to approximately 1,000 -- or pardon me, 13,000 additional producers. So yes, expansion in distribution is something that we're absolutely focused on.

Humphrey Lee - *Dowling & Partners Securities, LLC - Research Analyst*

I guess maybe the other way to think about -- to ask the question is, the pace of adding new distributions in the coming quarters, how would that compare to the pace in the third quarter?

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

I would say with our SmartCare business, it's going to continue to be something that's a real focus of ours. As it relates to our annuity franchise, we have a very large, diverse group of distributors already, but we're always looking to bring on new ones. But I would say that the emphasis will be continuing to expand distribution for SmartCare.

Operator

I show our next question comes from the line of Ryan Krueger from KBW.

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

Could you provide some additional detail on the non-VA earnings in the quarter and what were some of the key drivers?

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

So -- I mean it really was a quarter where we had a number of different factors. If you would allow me to take a little bit of a different approach on this and remind everyone the purpose of norm stat earnings, we came up with this definition of norm stat to try to give an indication of excess capital generation in normal to good markets as well as an indication in bad markets of how well are we doing in terms of managing the downside risk of the VA block.

And when we came up with this, it was pre-VA reform. So now with -- in a post-VA reform environment where the risk-based capital ratio is more indicative of the risk profile given its CTE98, we think that the best way to look at movement in excess capital generation really is the change in the RBC ratio.

And I've made some reference in the past about slight differences between norm stat if you were to look at 95% versus 98%. And what I would point out this quarter is we increased the range of estimate for RBC by 40 points sequentially. And if you look at the composition of that 40 points, about 30 of it was related to the BRCD dividend. About 20 of it was related to the positive impact from our Shield model migration to future -- to our future state platform. And that was really refinement of the calculation of cash flows, which, if you'll recall, we had a similar benefit from refining the calculation of cash flows to VA during last year's annual assumption update.

And then the offsetting impact was -- would be, we used about 10 points of RBC to fund growth this quarter. So if you look at a typical quarter, our sales would probably consume around 5 RBC points. This quarter, it was about double that, and it really has to do with the launch of our institutional spread margin business. So balances went from, I think it was $2.6 billion at the end of the second quarter to $4.7 billion at the end of the third quarter, okay?

So if you net all that together, you see that there's a 40-point -- all of those items explain a 40-point movement sequentially in the RBC ratio. So there's -- I think it's fair to assume, therefore, that if you were thinking about some analog to norm stat earnings on a 98 basis, it was closer to 0.

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

No, that's helpful. And then just a follow-up, can you give us a sense of what your statutory VA lapse assumption is for the GMIB block? The floor lapse assumption at this point?

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

I mean the answer to that is no, and because of the fact that there is no simple answer to that question. I know we sometimes like to get simple answers, but we have a dynamic lapse function based on moneyness and different products, different features. I mean it's just -- there is no single number to give.

The only thing, again, I would highlight is there were a lot of assumption updates prior to VA reform. I mean, as you know, one of the goals of VA reform was to get more consistency in the presentation of the VA business on a statutory basis. And so our assumption updates aligning with VA reform led us to take, I would say, some pretty meaningful hits related to lapses and withdrawals back in the 2017 and 2018 time periods.

Operator

(Operator Instructions) I show our next question comes from the line of John Barnidge from Piper Sandler.

Okay. We'll move on to the next question. I show our next question comes from the line of Tracy Benguigui from Barclays.

Tracy Dolin-Benguigui - *Barclays Bank PLC, Research Division - Director & Senior Equity Research Analyst*

I'd like to understand better the negative market performance that contributed to those negative separate account returns. I believe the subaccount underlying assets is generally 2/3 equity investment and 1/3 fixed income investments. I wanted to know if that was fair. And if you could describe, I guess, in which bucket, where most of those negative returns came from? And if I could also add, if you've been giving your policyholders any other option in terms of what they could invest in.

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

Tracy, it's Ed. So I believe the S&P was up about 60 basis points in the quarter. But we did have other indices that had negative returns. So the MSCI EAFE was down 40 basis points. Emerging Markets Index was down 8 percentage points. So it's never a story of just 1 equity index, right? And so that's the first thing. The second thing is, I think your estimate of the split between equities and other is pretty close. I mean it's a reasonable level to use.

In terms of options for policyholders, I'm not sure what specifically you're talking about. But obviously, they have plenty of options in terms of investment choices.

Tracy Dolin-Benguigui - *Barclays Bank PLC, Research Division - Director & Senior Equity Research Analyst*

Okay. Got it. And you were going down history a little bit earlier with an earlier question. In an older disclosure, you talked about hitting peak funding in your legacy VA block by 2024. And I'm just wondering, based on your experience, your inception updates along the way that you just talked about if that's still the case or if you could just provide an update on the timing of when it would hit peak funding.

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

Yes. I mean I think it's not that far off of what you're suggesting. It's scenario-dependent. Obviously, market movements will have an impact on whether that's longer or shorter. But I've made the point in the past about -- you hit peak funding and, obviously, that means your risk is coming down. But as reserves come down, I mean, you're also paying claims, right?

So it's not like that -- the money that's getting freed up is all somehow becoming shareholder funds. I think what's important is that the amount of capital that you need to support the risk over time, as the risk comes down, would likely be a different number than what it is today.

Tracy Dolin-Benguigui - *Barclays Bank PLC, Research Division - Director & Senior Equity Research Analyst*

Yes. That's all fair. I guess you were probably alluding to what I was thinking, if there would be any skewness in that multiyear distributable earnings scenarios towards the back half given that you would reach that peak funding.

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

Sorry, Tracy, repeat that 1 more time?

Tracy Dolin-Benguigui - *Barclays Bank PLC, Research Division - Director & Senior Equity Research Analyst*

Yes. I think you were just getting into my thinking because in your distributable earnings scenario, it's over multiple years. So -- but it's all aggregated. So if we were to think about where the proportion of most of those earnings are coming from, would we think about some skewness after the legacy VA block hit peak funding?

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

Yes. I would say, obviously, peak funding is factored into the distributable earnings disclosures we provide you. But I would not say that the trend in distributable earnings is driven by peak funding. I would say it's driven by the shift in our business mix over time and the benefits are the products that we're selling today that will generate distributable earnings tomorrow. And it's also a function of the fact that we have less impacts as you go out from changes in the mean reversion point under statutory, which I've talked about in the past.

Operator

I show our next question comes from the line of John Barnidge from Piper Sandler.

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

On the BGA and the new firms added, you said 13,000 new agents, how many agents had access to the product prior to this quarter? And the new distribution being added, is that generally selling higher or lower face values?

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

So this is Myles again. So I would say prior to adding the approximate 13,000 new financial professionals that we did over the summer. Prior to that, we had access to around 50,000 advisors and financial professionals.

And as it relates to the face amount question, SmartCare is really a product that's designed to deliver long-term care benefits. So from a face amount perspective, generally speaking, our face amounts aren't very significant.

Conor, do you want to add anything to that?

Conor Ernan Murphy - *Brighthouse Financial, Inc. - Executive VP & COO*

No, I think we're good, Myles.

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

And then my follow-up question. I understand COVID mortality experience went materially down sequentially. But can you maybe talk about the average age of claim now versus maybe at the pandemic onset for you?

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

John, it's Ed. So I don't have the average age of the claim now versus before. I mean I would just say that, obviously, $9 million is down a lot. I think it's down 20% from the second quarter, and it's down substantially from where we were in the first quarter of this year and the fourth quarter of last year.

And I'd just, again, highlight that overall, our COVID claims to date relative to the initial guidance we provided based on the number of U.S. deaths, I think in total, we're probably running at about 1/5 of what we thought we would be to date on COVID.

Operator

I'm showing no further questions in the queue. At this time, I would like to turn the call over to Dana Amante for closing comments. Please go ahead.

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

Yes. Thank you. Thank you all for joining us today and for your interest in Brighthouse Financial. Have a great day.

Operator

This concludes today's conference call. Thank you for participating. You may all disconnect.
