
KBRA Affirms Ratings for CL Life and Crestline Assurance Holdings

New York (August 23, 2024)

KBRA affirms the A- insurance financial strength rating (IFSR) for CL Life and Annuity Insurance Company ("CL Life") and the BBB- issuer rating of CL Life's insurance holding company, Crestline Assurance Holdings, LLC ("Crestline Assurance Holdings"). The Outlook for both ratings is Stable.

Key Credit Considerations

The ratings reflect CL Life's strong capital support from Crestline Management, L.P. ("Crestline"), sound asset liability management (ALM) framework, adequate enterprise risk management, minimal exposure to disintermediation risk, and adequate capitalization. As of June 30, 2024, CL Life reported \$10.6 million in capital and surplus (C&S) and \$463.0 million in liabilities which was driven by CL Life's first full year of operations and significant new business volume which was ahead of management's plan. Reflective of the significant growth in premiums, C&S to liabilities declined to approximately 5% at end-2023 and risk-based capital (ACL) of 518% declined though remains favorable relative to the company's 350%-400% RBC (ACL) target. KBRA expects CL Life to maintain its RBC ratio at targeted levels as the company continues to grow its business writings. Contributed capital for year-end 2023 (\$6.7 million) exceeded plan. To date, Crestline has invested nearly \$17 million, inclusive of the fully drawn \$10 million executed contribution agreement. KBRA believes that Crestline is strongly committed to CL Life's success. CL Life has a seasoned management team with extensive knowledge of direct annuity products as well as extensive experience in other complementary areas of financial services. CL Life has built a comprehensive ALM framework that provides robust modeling of various interest rate and credit risk scenarios to evaluate and ensure adequate liquidity to meet policyholder liabilities when due. In addition, CL Life's investment strategy incorporates an allocation to liquid fixed income securities. KBRA believes that CL Life has an appropriate enterprise risk management framework for the company's size and complexity, with a clear focus on interest rate, cyber security, and model risk. As a new market entrant with no legacy liabilities, minimal exposure to disintermediation risk remains a credit strength.

Balancing these strengths are CL Life's limited earnings diversification, exposure to potential spread compression, execution risk, key person risk and nascent position within a competitive marketplace. CL Life's earnings are derived from investment income and ceding commissions on fixed annuities, primarily in midwestern, southeastern and southwestern states. Once its invested assets are fully deployed to targeted allocations, as the company generates income from the difference between investment earnings and annuity crediting rates over time, CL Life is vulnerable to fluctuating interest rates and shifting credit spreads which may expose its results to potential volatility from spread compression. As a recent entrant in the highly competitive direct annuity market, CL Life may be challenged in executing its business plan. The company operates with a lean staff, leveraging Crestline resources as well as external advisors.

CL Life is a fixed annuity writer domiciled in the State of Utah and an affiliate of Crestline, an institutional alternative asset manager.

Rating Sensitivities

Maintaining a higher level of risk-based capitalization, sustained favorable results which exceed the company's business plan, or greater diversification in earnings and distribution channels may result in positive rating action.

A material shortfall in results relative to the company's business plan, material adverse change in risk profile, a decrease in risk-based capital below the company's target, and the loss of a key member of the management team could result in negative rating action.

To access rating and relevant documents, click [here](#).



Methodologies

- [Insurance: Insurer & Insurance Holding Company Global Rating Methodology](#)
- [ESG Global Rating Methodology](#)

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Disclosures

A description of all substantially material sources that were used to prepare the credit rating and information on the methodology(ies) (inclusive of any material models and sensitivity analyses of the relevant key rating assumptions, as applicable) used in determining the credit rating is available in the Information Disclosure Form(s) located [here](#).

Information on the meaning of each rating category can be located [here](#).

Further disclosures relating to this rating action are available in the Information Disclosure Form(s) referenced above. Additional information regarding KBRA policies, methodologies, rating scales and disclosures are available at www.kbra.com.

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