

# KBRA Affirms Ratings for CL Life and Crestline Assurance Holdings

New York (August 24, 2023)

KBRA affirms the A- insurance financial strength rating (IFSR) of 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. CL Life is a fixed annuity writer domiciled in the State of Utah and an affiliate of Crestline Management, L.P. (Crestline), an institutional alternative asset manager.

## Key Credit Considerations

The ratings reflect CL Life's sound risk-based capitalization, strong capital support from Crestline, experienced management team, sound asset liability management (ALM) framework, adequate enterprise risk management, and minimal exposure to disintermediation risk. As of June 30, 2023, CL Life reported \$8.0 million in capital and surplus (C&S) and \$98.5 million in liabilities. Eighty-one percent of assets were held in cash and cash equivalents. As the company executes its business plan, KBRA expects C&S to decrease as initial sales are made but also expects risk-based capitalization to remain sound over the medium term. Inclusive of the acquisition and launch, Crestline has invested nearly \$11 million and has also executed a contribution commitment agreement to fund business growth over the medium term. 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 byproduct of a new market entrant with no legacy liabilities, minimal exposure to disintermediation risk is a credit strength.

Balancing these strengths are CL Life's limited earnings diversification, exposure to 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. 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 will 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.

## Rating Sensitivities

Successful execution of the company's business plan over the medium term and achieving an acceptable position in its defined market may result in positive rating action.

A material adverse change in risk profile, a significant decrease in risk-based capitalization, a material shortfall in results relative to plan 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](http://www.kbra.com).

## About KBRA

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