

## KBRA Rates Guaranty Income Life Insurance Company

NEW YORK, NY (August 17, 2017) – Kroll Bond Rating Agency (KBRA) has assigned an insurance financial strength rating (IFSR) of A- with a stable outlook to Guaranty Income Life Insurance Company (GILICO). GILICO is an annuity, life-insurance, and long-term care (LTC) insurance company based in Baton Rouge, Louisiana. GILICO was acquired in October 2016 by Kuvare U.S. Holdings, Inc.

The rating reflects GILICO's niche focus, experienced management team, sound capitalization, favorable earnings trends, and the financial support and commitment of Kuvare and its capital partners. Over the last several years, GILICO has generated consistent earnings, resulting in strong organic capital growth. The company's signature AnnuiCare product has recently experienced an uptick in sales – along with GILICO's other annuities – and continues to report favorable claims experience. The acquisition of the company by Kuvare has accelerated distribution expansion, launched substantial infrastructure improvements, enhanced investment oversight, and added seasoned insurance professionals to GILICO's dedicated staff. Additionally, the company has been successful in achieving targeted spreads in a challenging interest rate environment, without taking on substantial investment risk. Finally, GILICO maintains excellent financial flexibility as Kuvare has committed considerable funds to fund the insurer's future growth.

Balancing these strengths are GILICO's lack of business diversification as reserves are almost entirely interest-sensitive as well as the execution risk related to enhancing the company's operating platforms and entering new product lines and distribution channels. GILICO has minimal life insurance reserves and its annuity block is susceptible to spread compression and disintermediation risk. KBRA notes that some disintermediation risk is mitigated by the AnnuiCare combo product, as the annuity must stay in force for policyowners to receive LTC benefits. Additionally, GILICO still lacks the size and scale to compete with larger, more recognized franchises with greater financial strength. Finally, the company has notable exposure to non-agency residential mortgage-backed securities at approximately 135% of capital. KBRA notes that the company's investment portfolio is overseen by highly experienced, specialized asset managers with proven track records and that its exposure to higher-risk assets is below the industry average.

The ratings are based on KBRA's [Global Insurer & Insurance Holding Company Rating Methodology](#) published on April 21, 2016.

A full report will follow.

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### **About Kroll Bond Rating Agency**

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