BEST'S RATING REPORT

THE CINCINNATI
LIFE INSURANCE COMPANY

6200 South Gilmore Road, Fairfield, Ohio, United States 45014-5141
Mailing Address: P.O. Box 145496, Cincinnati, Ohio, United States 45250-5496

AMB #: 006568 NAIC #: 76236 FEIN#: 31-1213778
Phone: +1-513-870-2000 Fax: +1-513-603-5500 Website: www.cinfin.com
The Cincinnati Life Insurance Company

AMB #: 006568 | NAIC #: 76236 | FEIN#: 31-1213778
Ultimate Parent: AMB # 058704 - Cincinnati Financial Corporation

Best's Credit Rating Effective Date
January 30, 2020

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Information
Best's Credit Rating Methodology
Understanding Best's Credit Ratings
Market Segment Outlooks

Financial Data Presented
The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: Best's Financial Report.

Rating Rationale

Balance Sheet Strength: Strong
- Invested assets are generally of good credit quality, with no holdings in real estate and commercial mortgages. Over half of the bond holdings are in NAIC-2.
- The risk-adjusted capitalization of The Cincinnati Life Insurance Company (CLIC) as defined by Best’s Capital Adequacy Ratio (BCAR) is assessed as weak but is qualitatively enhanced through the self-funding of its XXX (term life) reserves.
- CLIC has no financial leverage, but financial flexibility is limited to parental support.

Operating Performance: Adequate
- Both direct and net premiums have consistently increased in recent years, driven by strong life sales as annuity production has been de-emphasized.
- Early implementation of Principles Based Reserving has driven material increases in profitability, as exemplified by 2017 and 2018 earnings following several years of operating losses.
- The company experienced significant new business expense strain prior to the implementation of Principles Based Reserving due to the XXX reserve requirements on term life products that resulted in operating losses from 2013-2016.

Business Profile: Neutral
- Product risk is viewed by AM Best to be relatively low due to the high percentage of term life, whole life and universal life business, with a lower percentage of deferred annuities.
- CLIC benefits from the joint distribution structure with its property/casualty affiliate, providing cross-selling opportunities from property/casualty agents, as well as maintaining life-only agency relationships.
- CLIC’s business model is viewed as somewhat narrow due to the concentration of sales in term life products and modest geographical concentration.

Enterprise Risk Management: Appropriate
- Enterprise risk management (ERM) is led by the ultimate parent, Cincinnati Financial Corporation, to consolidate the risks of the lead property/casualty and life insurance operations.
The ERM Committee is led by the chief risk officer and composed of senior executives who are responsible for overseeing risk identification, quantification, and mitigation.

CLIC's risk profile is viewed as relatively low due to the conservative investment portfolio and lower-risk product offerings, based on AM Best's product continuum.

Rating Lift/Drag

CLIC is fully integrated into the Cincinnati Financial group, providing favorable product diversification and cross-selling opportunities through the group's joint distribution relationships.

Outlook

The stable outlooks for CLIC reflect the favorable assessment of The Cincinnati Insurance Companies, the lead property/casualty operation, based on the enterprise's favorable performance.

Rating Drivers

An improvement in AM Best's view of the strategic importance of Cincinnati Life to its Cincinnati Financial parent could result in a positive rating action.

Sustained deterioration in absolute capital and/or risk-adjusted capitalization trends could result in a negative rating action.

A significant decline in operating performance may result in a negative rating action.

Increased allocations to lower credit quality fixed income securities or other higher-risk assets could result in a negative rating action.

Credit Analysis

Balance Sheet Strength

Despite a weak level of risk-adjusted capitalization as measured by AM Best, the company's overall balance sheet is considered strong relative to its insurance and investment risks due to the qualitative assessment of its significant level of XXX term life reserves, which are considered redundant and should be accretive to earnings in future years.

Capitalization

CLIC has historically reported declining absolute capitalization which was primarily the result of new business strain, particularly XXX reserving, on its ordinary life new business sales. Declining capital also has resulted in lower risk-adjusted capitalization per the Best Capital Adequacy Ratio, which is currently assessed as 'weak'. However, AM Best notes that CLIC's XXX reserve redundancies have been self funded and total about $700 million, which may be viewed as hidden equity. Also, XXX reserving is expected to peak in 2023. The company's GAAP equity has continued to show favorable growth, benefiting from consistently positive operating gains as results are not subject to the same reserve requirements. Lastly, CLIC benefits from the financial strength of its parent company which provides access to capital and liquidity, if necessary.

Asset Liability Management - Investments

Cincinnati Life follows an investment philosophy of predominately income generation, investing almost exclusively in fixed income securities and cash holdings for liquidity. Cincinnati Life's fixed-income portfolio consists mainly of public and private corporate bonds, taxable municipals, and commercial mortgage backed securities. AM Best notes the portfolio's credit profile is viewed as above-average risk due to high allocations to NAIC 2 relative to industry averages. However, AM Best also notes the portfolio has minimal exposure to higher risk asset classes including equities and alternative assets. Securities listed as alternative assets are comprised of affiliated and non-affiliated real-estate and non-affiliated surplus notes.

Operating Performance

Historically, CLIC has reported operating losses due to new business strain and redundant (XXX) reserving on its term life insurance sales.

Year-to-date statutory net income through the third quarter of 2019 was $10.5 million. Statutory net income/(loss) for 2018 and 2017 was $(13 thousand) and $12.4 million, respectively. The main drivers of lower income in 2018 are higher mortality, higher surrender benefits, lower investment income and higher commissions partially offset by higher premiums and the positive impact of principles based reserving (PBR). Generally speaking, earnings are expected to trend higher going forward as the implementation of PBR is
Operating Performance (Continued...)

expected to reduce the level of reserves booked for new term life business, while higher reserves booked under the previous reserving methodology (XXX) will soon begin to decline.

GAAP operating income through third quarter 2019 declined to $32.9 million, from $45.3 million at third quarter 2018 due to higher mortality and unlocking of deferred acquisition costs (DAC). GAAP operating income for 2018 and 2017 is $51.6 million and $40.1 million, mainly due to lower taxes due to tax reform.

Investment income on an absolute basis has increased, as the asset base has increased despite lower interest rates. While investment yields have declined over the past several years, they are comparable to the life industry average.

Premium growth is driven by sales in the ordinary life line of business, which comprised about 86% of total direct written premium in 2019. Compound annual growth rates remain strong and well above the life industry average.

Business Profile

The Cincinnati Life Insurance Company (CLIC) is the life insurance subsidiary of Cincinnati Financial Corporation (CinFin), which provides a wide array of financial services products. Cincinnati Life's immediate parent, The Cincinnati Insurance Company (CIC) is a multi-line property and casualty insurance company. CinFin also wholly owns CFC Investment Company and CSU Producer Resources, Inc. CFC Investment Company complements the insurance subsidiaries with leasing and financing services. CSU Producer Resources, Inc. is an E&S insurance brokerage subsidiary that works exclusively with CIC agencies. Other subsidiary companies of CIC include The Cincinnati Casualty Company, The Cincinnati Indemnity Company, and The Cincinnati Specialty Underwriters Insurance Company.

CLIC sells life and annuity products in 49 states, which includes 5 states where only life insurance is marketed. Distribution is generally through the parent's property/casualty agent network, with over 2,300 agents. In those states where only life insurance is sold, independent agents are used, which number about 500. CLIC's product portfolio consists of term life, whole life and universal life, which is considered low risk and more creditworthy. CLIC also sells individual annuities, but this makes up a modest percentage of sales and management has been deemphasizing sales over the past several years to limit interest rate exposure. About 15% of direct written premiums are generated from the state of Ohio.

Enterprise Risk Management

Cincinnati Life is fully integrated into the risk management framework of the consolidated organization. The Cincinnati Insurance Companies maintain a comprehensive enterprise risk management (ERM) program. The group utilizes a conservative approach towards risk management, which is supported at the board level and reflects the organization's strategy of maintaining superior financial strength while operating within predetermined risk tolerance guidelines. The risk management committee meets frequently to discuss key risks, risk sources, as well as emerging risks, while management utilizes a multi-factored approach to identify and assess risks on the horizon, and to quantify those that could potentially impact the organization. Once key risk exposures have been identified, management reviews all risks to determine the potential impact on earnings, and/or surplus given changes in risk exposures. In addition, all defined risk exposures are reviewed frequently by internal audit.

Reinsurance Summary

The company manages risks associated with its life insurance exposure through reinsurance treaties with a variety of carriers including Swiss Re Life and Health America, Security Life of Denver, Lincoln National Life Insurance Company and RGA Reinsurance Company. As of year-end, the company ceded approximately 39% of its life insurance in force.

Corporate retention is $1 million on a single life up to age 60 and $500,000 above age 60. The company currently reinsures mortality risk on an excess of retention, YRT basis. For term life insurance business written prior to 2005, the company retains 10 percent to 25 percent of each term policy, not to exceed $500,000, ceding the balance of mortality risk and policy reserve. In addition, there is catastrophe reinsurance coverage on life insurance operations that reimburses the company for covered net losses in excess of $12.5 million. Recovery is capped at $75 million for losses involving associates.

The company manages risks associated with its disability income exposure through reinsurance treaties with Munich American Reassurance Company and its long-term care exposure through reinsurance treaties with Gen Re Company of America.
Rating Lift/Drag

CLIC is fully integrated into the Cincinnati Financial Group, providing favorable diversification of life, A&H, and annuity products. Furthermore, CLIC shares agent relationships with its property/casualty affiliates in states where they are both licensed. Conversely, AM Best notes CLIC is a relatively modest contributor to the consolidated organization's financial results.

**Financial Statements**

<table>
<thead>
<tr>
<th>Balance Sheet</th>
<th>9-Months 2019</th>
<th>%</th>
<th>Year End - December 31</th>
<th>USD (000)</th>
<th>%</th>
<th>USD (000)</th>
<th>%</th>
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<td>Other Invested Assets</td>
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<td><strong>Total Cash and Invested Assets</strong></td>
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<td>Separate Account Assets</td>
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<td>804,133</td>
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<td><strong>Total Assets</strong></td>
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<td>Net Life Reserves</td>
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<td>Net Accident &amp; Health Reserves</td>
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<tr>
<td>Separate Account Liabilities</td>
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<td>804,133</td>
<td>17.7</td>
<td>776,424</td>
<td>17.6</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
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<td>4,342,323</td>
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<td>190,576</td>
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<td><strong>Total Liabilities, Capital and Surplus</strong></td>
<td>4,627,233</td>
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<td>4,532,899</td>
<td>100.0</td>
<td>4,407,172</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: BestLink® - Best's Financial Suite
The Cincinnati Life Insurance Company

Operations

Date Incorporated: July 02, 1987 | Date Commenced: February 01, 1988

Domiciled: Ohio, United States

Licensed: (Current since 07/26/2002). The company is licensed in the District of Columbia, AL, AK, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY.

Business Type: Life, Annuity, and Accident
Organization Type: Stock
Marketing Type: Independent Agency
Financial Size: VIII ($100 Million to $250 Million)

Contact Information

Domiciliary Address:
6200 South Gilmore Road,
Fairfield, Ohio 45014-5141
United States

Mailing Address:
P.O. Box 145496, Cincinnati, Ohio 45250-5496
United States

Web: www.cinfin.com
Phone: +1-513-870-2000
Fax: +1-513-603-5500

Financial Data Presented

The financial data in this report reflects the most current data available at the time the report was printed.

Best's Credit Ratings

Rating Relationship

AM Best Rating Unit: 006568 - Cincinnati Life Insurance Company

Refer to the Best's Credit Report for AMB# 006568 - The Cincinnati Life Insurance Company for details regarding the rating rationale, credit analysis, and financial exhibits available at the time the credit analysis was performed.

Best's Credit Rating History

AM Best has assigned ratings on this company since 1922. In our opinion, the company has a Superior ability to meet their ongoing insurance obligations and a Superior ability to meet their ongoing senior financial obligations.

The following are the most recent rating events, for longer history refer to Rating History in BestLink:

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>Rating</th>
<th>Outlook</th>
<th>Action</th>
<th>Rating</th>
<th>Outlook</th>
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<td>Jan 30, 2020</td>
<td>A+</td>
<td>Stable</td>
<td>Upgraded</td>
<td>aa-</td>
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<td>Affirmed</td>
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</table>
Management

Officers

President and CEO: Steven J. Johnston
Chief Underwriting Officer: Jeremy M. Singer
SVP and COO: Roger A. Brown
SVP and CFO: Michael J. Sewell
SVP and Chief Investment Officer: Martin F. Hollenbeck
SVP and Chief Information Officer: John S. Kellington
SVP and Chief Risk Officer: Teresa C. Cracas
SVP, Corporate Secretary and General Counsel: Lisa A. Love (Corporate)
SVP and Treasurer: Todd H. Pendery (Corporate Finance)
SVP: Angela Delaney (Sales & Marketing)
SVP: Theresa A. Hoffer (Corporate Finance)
SVP: Stephen M. Spray
SVP: Montgomery L. Trottier (Life Marketing)
Chief Actuary: Michael T. Tiernan
Appointed Actuary: C. Elaine Mackey

Directors

William F. Bahl
Gregory T. Bier
Roger A. Brown
Teresa C. Cracas
Martin F. Hollenbeck
Steven J. Johnston
John S. Kellington
Lisa A. Love
W. Rodney McMullen
Martin J. Mullen
David P. Osborn
Thomas R. Schiff
Michael J. Sewell
Stephen M. Spray
Kenneth W. Stecher (Chairman)
Larry R. Webb

History

In February 1973, Inter-Ocean Insurance Company, Cincinnati, Ohio, a life and accident and health insurer, was acquired as a subsidiary of Cincinnati Financial Corporation. On February 1, 1988, Inter-Ocean Insurance Company and The Life Insurance Company of Cincinnati, Cincinnati, Ohio, also a life and accident and health insurer and a subsidiary of The Cincinnati Insurance Company since 1973, merged to form The Cincinnati Life Insurance Company, Cincinnati, Ohio.
A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer; nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

In arriving at a rating decision, AM Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, AM Best does not independently verify the accuracy or reliability of the information. Any and all ratings, opinions and information contained herein are provided "as is," without any express or implied warranty.