

# BEST'S RATING REPORT



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

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**NAIC #:** 76236

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# The Cincinnati Life Insurance Company

Disclosure Information: View A.M. Best's [Rating Disclosure Form](#)

Ultimate Parent: [058704 - Cincinnati Financial Corporation](#)

A.M. Best Rating Unit: 006568 - Cincinnati Life Insurance Company

## Best's Credit Ratings:

Rating Effective Date: January 31, 2018

<b>Best's Financial Strength Rating:</b>	A	<b>Outlook:</b>	Positive	<b>Action:</b>	Affirmed
<b>Best's Issuer Credit Rating:</b>	a+	<b>Outlook:</b>	Positive	<b>Action:</b>	Affirmed

## Last Five Rating Events:

Date	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
	Rating	Outlook	Action	Rating	Outlook	Action
01/31/2018	A	Positive	Affirmed	a+	Positive	Affirmed
04/21/2017	A	Stable	Affirmed	a+	Stable	Affirmed
03/10/2016	A	Stable	Affirmed	a+	Stable	Affirmed
12/12/2014	A	Stable	Affirmed	a+	Stable	Affirmed
12/19/2013	A	Stable	Affirmed	a+	Stable	Affirmed

## Rating Rationale:

### Balance Sheet Strength: Strong

- Cincinnati Life's (CLIC) absolute and risk-adjusted capitalization had exhibited notable declines in recent years due to operating losses between 2013 and 2016.
- Capitalization is qualitatively enhanced by the self-funding of the significant XXX and AXXX reserves.
- The investment portfolio has no significant exposure to higher risk asset classes; however, allocations to NAIC 2 and below-investment-grade bonds are above industry averages.
- CLIC has no outstanding debt obligations, but financial flexibility is limited to support from its parent.

### Operating Performance: Adequate

- DPW and NPW have consistently increased in recent years, driven by strong life sales as annuity production has been deemphasized.
- Early implementation of Principles Based Reserves is anticipated to drive material increases in profitability, as exemplified by year-to-date earnings following several years of operating losses.
- Interest rate spreads remain favorable despite the majority of policies having guaranteed minimum crediting rates of 3% or higher.
- CLIC has experienced significant new business strain due to the XXX reserve requirements on Term Life products that resulted in operating losses over the last four years.

### Business Profile: Neutral

- CLIC's business profile is viewed as somewhat narrow due the concentration of sales in Term Life products and modest geographical concentrations.
- CLIC's product portfolio is viewed as lower risk due to the proportion of Term, Whole, and Universal Life and modest proportion of higher risk 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.

## Enterprise Risk Management: Appropriate

- Enterprise Risk Management is led by the ultimate parent, Cincinnati Financial Corporation, to consolidate the risks of the lead property and casualty and life insurance operations.
- The ERM Committee is led by the chief risk officer and comprised 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 A.M. 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.
- The life insurance operations provide only a modest proportion of earnings to the consolidated organization.

## Outlook

The positive outlooks for CLIC reflect the positive outlook on the ICR assigned to The Cincinnati Insurance Company, the lead property/casualty affiliate, and the expectation that a rating upgrade would lead to increased rating enhancement to the life company.

## Rating Drivers

Positive rating action at the lead property/casualty affiliate, The Cincinnati Insurance Company, could result in positive rating action.

A sustained decline in absolute capital or risk-adjusted capitalization due to operating losses or material dividends could result in negative rating action.

An unfavorable trend of direct and net premiums written could result in negative rating action.

Increased allocations to lower credit quality or higher risk assets could result in negative rating action.

## Financial Statements:

### Balance Sheet:

### Balance Sheet:

Admitted Assets	Year End - December 31	
	2016 (\$000)	2015 (\$000)
Bonds	3,151,485	3,017,001
Preferred Stocks	5,047	5,047
Common Stocks	...	...
Real Estate	...	...
Contract Loans	29,690	29,741
Cash & short-term Investments	56,439	44,486
Net Deferred Tax Asset	...	...
Premiums & Consideration Due	129,359	121,163
Investment income due & accrued	39,645	39,145
Other Assets	105,352	83,772
Total assets excluding separate accounts	3,517,017	3,340,354
Separate account assets	749,434	726,483
Total Assets	4,266,451	4,066,837

Liabilities & Surplus	Year End - December 31	
	2016 (\$000)	2015 (\$000)
+ Net Policy Reserves	3,030,649	2,849,468
Liabilities for deposit type contracts	171,079	176,208
Policy Claims	18,788	23,464
Interest maintenance reserve	8,382	9,747
Commissions, taxes and expenses	12,389	8,157
Asset Valuation Reserve	28,819	18,749
Other Liabilities	46,581	46,207
Total liabilities excluding separate accounts	3,316,689	3,132,000
Separate account liabilities	749,434	726,483
Total Liabilities	4,066,123	3,858,482

**YE 2016:** + Analysis of reserves; Life \$2,035,582; annuities \$859,401; supplementary contracts with life contingencies \$2,813; accidental death benefits \$443; disability active lives \$7,723; disability disabled lives \$2,751; miscellaneous reserves \$105,356; accident & health \$16,580.

**YE 2015:** + Analysis of reserves; Life \$1,866,111; annuities \$853,137; supplementary contracts with life contingencies \$2,757; accidental death benefits \$427; disability active lives \$7,360; disability disabled lives \$2,663; miscellaneous reserves \$100,390; accident & health \$16,623.

**Balance Sheet: (Continued...)****Balance Sheet: (Continued...)**

Capital & Surplus	Year End - December 31	
	2016 (\$000)	2015 (\$000)
Common Stock	3,000	3,000
Paid-in & Contributed Surplus	1,000	1,000
Unassigned Surplus	196,328	204,355
Other Surplus	...	...
Total Policyholders' Surplus	200,328	208,355
Total Liabilities & Surplus	4,266,451	4,066,837

Source: Bestlink - Best's Statement File - L/H, US

**Company History:****Date Incorporated:** 07/02/1987**Date Commenced:** 02/01/1988**Domicile:** United States: Ohio

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.

**Affiliations:** The Cincinnati Life Insurance Company is the life insurance subsidiary of The Cincinnati Insurance Company (CIC). Cincinnati Life offers a variety of ordinary life insurance, disability insurance, fixed annuity and worksite products. Cincinnati Life's immediate parent, CIC is a multi-line property and casualty insurance company located in Fairfield, Ohio, and founded in 1950. CIC's ultimate parent is Cincinnati Financial Corporation (CinFin), which is a publicly traded insurance holding company founded in Ohio in 1968. 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 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.

**Company Management:**

Last significant update on 03/01/2018

**Officers****President and CEO:** Steven J. Johnston**EVP:** Jacob F. Scherer, Jr.**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**Secretary and Chief Underwriting Officer:** Jeremy M. Singer**SVP and Chief Risk Officer:** Teresa C. Cracas**SVP, Secretary and General Counsel:** Lisa A. Love (Corporate)**SVP:** Theresa A. Hoffer (Corporate Finance)**SVP:** Glenn D. Nicholson (Marketing)**Vice President and Treasurer:** Todd H. Pendery (Corporate Finance)**SVP:** Sean M. Givler (Sales & Marketing)

## Company Management: (Continued...)

### Directors

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

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