

BEST'S RATING REPORT



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

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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 30, 2019

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

Five Year Credit Rating History:

Date	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
	Rating	Outlook	Action	Rating	Outlook	Action
01/30/2019	A	Positive	Affirmed	a+	Positive	Affirmed
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

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 significant XXX (term life) reserves.
- The investment portfolio has no significant exposure to higher-risk asset classes; however, allocations to NAIC 2 bonds are above industry averages.
- CLIC has no outstanding debt obligations, but financial flexibility is limited to support from its parent.

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 is anticipated to drive material increases in profitability, as exemplified by 2017 and 2018 year-to-date earnings following several years of operating losses.
- The company had experienced significant new business 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

- CLIC's business profile is viewed as somewhat narrow due to the concentration of sales in Term Life products and modest geographical concentration.
- CLIC's product portfolio is viewed as lower risk due to the higher 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 (ERM) 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 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 positive outlooks for CLIC reflect the favorable assessment of the Cincinnati Insurance Companies, the lead property/casualty operation, based on its overall organization's favorable performance.

Rating Drivers

A positive rating action by A.M. Best on 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 could result in negative rating action.

A material deterioration in operating performance could also 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	
	2017 (\$000)	2016 (\$000)
Bonds	3,271,375	3,151,485
Preferred Stocks	5,047	5,047
Contract Loans	30,652	29,690
Cash & short-term Investments	35,640	56,439
Other Invested Assets	84,132	65,909
Premiums & Consideration Due	135,973	129,359
Investment income due & accrued	38,785	39,645
Other Assets	29,145	39,443
Total assets excluding separate accounts	3,630,749	3,517,017
Separate account assets	776,424	749,434
Total Assets	4,407,172	4,266,451

Liabilities & Surplus	Year End - December 31	
	2017 (\$000)	2016 (\$000)
Net policy reserves (see components below)	3,163,007	3,030,649
Liabilities for deposit type contracts	162,193	171,079
Policy Claims	20,446	18,788
Interest maintenance reserve	4,664	8,382
Commissions, taxes and expenses	9,700	12,389
Asset Valuation Reserve	33,479	28,819
Other Liabilities	42,122	46,581
Total liabilities excluding separate accounts	3,435,610	3,316,689
Separate account liabilities	776,424	749,434
Total Liabilities	4,212,034	4,066,123

YE 2017: Life \$2,202,144; annuities \$834,791; supplementary contracts with life contingencies \$2,744; accidental death benefits \$41; disability active lives \$8,095; disability disabled lives \$2,209; miscellaneous reserves \$96,556; accident & health \$16,426.

YE 2016: 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.

Capital & Surplus	Year End - December 31	
	2017 (\$000)	2016 (\$000)
Common Stock	3,000	3,000
Paid-in & Contributed Surplus	1,000	1,000
Unassigned Surplus	191,138	196,328
Total Policyholders' Surplus	195,138	200,328
Total Liabilities & Surplus	4,407,172	4,266,451

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 02/07/2019

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

SVP and Chief Risk Officer: Teresa C. Cracas

SVP, Secretary and General Counsel: Lisa A. Love (Corporate)

SVP: Theresa A. Hoffer (Corporate Finance)

Vice President and Treasurer: Todd H. Pendery (Corporate Finance)

Vice President: Angie Delaney (Sales & Marketing)

Vice President: Monty L. Trottier (Life Marketing)

Secretary and Chief Underwriting Officer: Jeremy M. Singer

Secretary and Appointed Actuary: C. Elaine Mackey

Chief Actuary: Michael T. Tiernan

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

Company Management: (Continued...)

Directors (Continued...)

Jacob F. Scherer, Jr.
Thomas R. Schiff
Michael J. Sewell
Stephen M. Spray
Kenneth W. Stecher (Chairman)
Larry R. Webb

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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.

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