



**Best's Credit Rating Effective Date**

September 15, 2022

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**Information**

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**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](#).

# CL Life and Annuity Insurance Company

**AMB #:** 062559 | **NAIC #:** 88153 | **FEIN #:** 37-2030266

**Ultimate Parent:** AMB # 045270 - Crestline Management, L.P.

**Best's Credit Ratings**

**Financial Strength Rating (FSR)**

<b>B++</b>
<b>Good</b>
Outlook: <b>Stable</b>
Action: <b>Assigned</b>

**Issuer Credit Rating (ICR)**

<b>bbb+</b>
<b>Good</b>
Outlook: <b>Stable</b>
Action: <b>Assigned</b>

**Assessment Descriptors**

Balance Sheet Strength	<b>Very Strong</b>
Operating Performance	<b>Adequate</b>
Business Profile	<b>Limited</b>
Enterprise Risk Management	<b>Appropriate</b>

## Rating Rationale

### Balance Sheet Strength: **Very Strong**

- Crestline Life & Annuity Insurance Company (CL Life) will be initially funded with \$10 million over a five-year period, with an additional \$10 million commitment to fund projected growth as needed.
- Projected to have the strongest level of risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), with a low level of business and high reinsurance leverage on the books in the first couple of years of growth.
- Ultimate goal is to maintain adequate liquidity under an established asset/liability management (ALM) framework.
- Projected focus with regard to investments will be on investment-grade rated corporate credit, as well as first lien real estate mortgages, considered a bit riskier than normal initially for the industry average.

### Operating Performance: **Adequate**

- Adequate assessment on operating earnings as part of the start-up nature of the company with a potential estimated modest profit by 2025.
- CL Life will derive its profit from a combination of net investment income and ceding commissions.
- Deliberate projected sales growth plan over the next six years, highly dependent upon achieving certain targets successfully per its strategic business plan.

### Business Profile: **Limited**

- Does not have any established or projected market position as of yet.
- High degree of competition currently in the market, making successful growth in scale much more difficult than ever before.
- Some initial product concentration with the multi-year guaranteed annuity (MYGA) offering, but there is an additional fixed annuity (FA) product coming to market in the near future, with an expected vision of expansion into additional states by next year.
- Distribution focused on attracting dedicated independent agents with competitive compensation.

### Enterprise Risk Management: **Appropriate**

- Overall ERM is still in the early stages and evolving, as CL Life has formed a Risk Committee reporting to the board of CL Life, preparing a draft risk appetite statement.
- The goal is to manage investment risk by preserving capital, while earning a sufficient return to provide competitive products.
- CL Life will manage risk through an ALM framework, as the projected portfolios are modeled through different interest rate and credit scenarios.

### Outlook

- The stable outlooks reflect the expectation that the company will execute on its business plan with positive premium growth and improving balance sheet metrics with achievement of profitable, targeted, and adequate operating results contributing to surplus growth needed to support an expanding book of business, with a limited current business profile for the company.

### Rating Drivers

- A positive rating action could occur if there is a successful execution of the proposed business plan with profitable premium growth.
- A negative rating action could occur if there is failure to execute on the proposed business plan and lack of profitable premium growth.



## Key Financial Indicators

### Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	81.9	79.2	78.2	77.9

Source: Best's Capital Adequacy Ratio Model - L/H, US

Key Financial Indicators USD (000)	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
<b>Assets:</b>							
General Account	10,063	...	4,058	...	...	...	...
Total	10,063	...	4,058	...	...	...	...
<b>Liabilities:</b>							
Asset Valuation Reserve	5	...	6	...	...	...	...
Other General Account	490	...	50	...	...	...	...
Total	496	...	56	...	...	...	...
Total Capital and Surplus	9,568	...	4,002	...	...	...	...
Net Income	-435	...	-162	...	...	...	...
Net Investment Income	6	...	3	...	...	...	...

Source: BestLink® - Best's Financial Suite

Key Financial Ratios (%)	6-Months		Year End - December 31					Weighted Average
	2022	2021	2021	2020	2019	2018	2017	
Operating Return on Revenue	-99.9	...	-99.9	...	...	...	...	...
Operating Return on Capital and Surplus	-12.8	...	...	...	...	...	...	...
Net Investment Yield	0.2	...	...	...	...	...	...	...
Pre-Tax Investment Total Return	0.2	...	...	...	...	...	...	...

Source: BestLink® - Best's Financial Suite

Leverage (%)	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
General Account Liabilities to Capital and Surplus	0.1	...	...	...	...	...	...

Source: BestLink® - Best's Financial Suite

Liquidity Analysis	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
Current Liquidity (%)	999.9	...	999.9	...	...	...	...
Net Operating Cash Flow USD (000)	-343	...	-267	...	...	...	...

Source: BestLink® - Best's Financial Suite

## Credit Analysis

### Balance Sheet Strength

Additional credit report commentary for this section is pending and will be released in the near term.

## Balance Sheet Strength (Continued...)

### Capitalization

Capital Generation Analysis USD (000)	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
Beginning Capital and Surplus	4,002	...	5,344	...	...	...	...
Net Operating Gain	-435	...	-162	...	...	...	...
Net Change in Paid-In Capital and Surplus	6,000	...	...	...	...	...	...
Other Changes in Capital and Surplus	1	...	-1,180	...	...	...	...
Net Change in Capital and Surplus	5,566	...	-1,342	...	...	...	...
<b>Ending Capital and Surplus</b>	<b>9,568</b>	<b>...</b>	<b>4,002</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>
Net Change in Capital and Surplus (%)	139.1	...	...	...	...	...	...

Source: BestLink® - Best's Financial Suite

### Asset Liability Management - Investments

Composition of Cash and Invested Assets	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
Total Cash and Invested Assets USD (000)	10,009	...	4,007	...	...	...	...
Composition Percentages (%)							
Unaffiliated:							
Cash and Short Term Investments	96.5	...	91.2	...	...	...	...
Bonds	3.0	...	7.6	...	...	...	...
Stocks	0.5	...	1.1	...	...	...	...
<b>Total Unaffiliated</b>	<b>100.0</b>	<b>...</b>	<b>100.0</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>
<b>Total</b>	<b>100.0</b>	<b>...</b>	<b>100.0</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>

Source: BestLink® - Best's Financial Suite

Bonds and Short Term Investments - Distribution by Maturity (%)	Years					Average (Years)
	0-1	1-5	5-10	10-20	20+	
Government Bonds	...	100.0	...	...	...	3.0
<b>Total Bonds</b>	<b>...</b>	<b>100.0</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>3.0</b>

Source: BestLink® - Best's Financial Suite

Bonds - Distribution by Issuer	Year End - December 31				
	2021	2020	2019	2018	2017
Bonds USD (000)	306	...	...	...	...
US Government (%)	100.0	...	...	...	...
<b>Total Bonds (%)</b>	<b>100.0</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>

Source: BestLink® - Best's Financial Suite

### Operating Performance

Additional credit report commentary for this section is pending and will be released in the near term.

Net Operating Gain By LOB USD (000)	Year End - December 31				
	2021	2020	2019	2018	2017
Other Lines of Business	-162	...	...	...	...
<b>Total</b>	<b>-162</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>

Source: BestLink® - Best's Financial Suite



## **Business Profile**

Additional credit report commentary for this section is pending and will be released in the near term.

## **Enterprise Risk Management**

Additional credit report commentary for this section is pending and will be released in the near term.

## Financial Statements

	6-Months		Year End - December 31			
	2022		2021		2020	
<b>Balance Sheet</b>	USD (000)	%	USD (000)	%	USD (000)	%
Cash and Short Term Investments	9,659	96.0	3,655	90.1	...	...
Bonds	304	3.0	306	7.5	...	...
Preferred and Common Stock	46	0.5	46	1.1	...	...
<b>Total Cash and Invested Assets</b>	10,009	99.5	4,007	98.7	...	...
Other Assets	54	0.5	51	1.3	...	...
<b>Total General Account Assets</b>	10,063	100.0	4,058	100.0	...	...
<b>Total Assets</b>	10,063	100.0	4,058	100.0	...	...
Asset Valuation Reserve	5	0.1	6	0.1	...	...
Other Liabilities	490	4.9	50	1.2	...	...
<b>Total General Account Liabilities</b>	496	4.9	56	1.4	...	...
<b>Total Liabilities</b>	496	4.9	56	1.4	...	...
Capital Stock	1,000	9.9	1,000	24.6	...	...
Paid-In and Contributed Surplus	7,000	69.6	1,000	24.6	...	...
Unassigned Surplus	1,568	15.6	2,002	49.3	...	...
<b>Total Capital and Surplus</b>	9,568	95.1	4,002	98.6	...	...
<b>Total Liabilities, Capital and Surplus</b>	10,063	100.0	4,058	100.0	...	...

Source: BestLink® - Best's Financial Suite

<b>Income Statement USD (000)</b>	6-Months		Year End - December 31	
	2022	2021	2021	2020
Net Premiums Earned:				
Net Investment Income	6	...	3	...
Total Revenue	6	...	3	...
Insurance and Other Expense	440	...	142	...
Pre-Tax Net Operating Gain	-435	...	-139	...
Income Taxes Incurred	...	...	23	...
Net Operating Gain	-435	...	-162	...
Net Income	-435	...	-162	...

Source: BestLink® - Best's Financial Suite

<b>Statement of Operating Cash Flows USD (000)</b>	6-Months		Year End - December 31	
	2022	2021	2021	2020
Net Investment Income	4	...	6	...
Total Collected Operating Revenue	4	...	6	...
Commissions and Other Expenses Paid	347	...	248	...
Income Taxes Paid (Recovered)	...	...	25	...
Total Paid Expenses and Transfers	347	...	273	...
Net Operating Cash Flow	-343	...	-267	...

Source: BestLink® - Best's Financial Suite

## Related Methodology and Criteria

[Best's Credit Rating Methodology, 11/13/2020](#)

[Available Capital & Holding Company Analysis, 10/13/2017](#)

[Rating New Company Formations, 09/09/2022](#)



[Scoring and Assessing Innovation, 03/05/2020](#)

[Understanding BCAR for U.S. and Canadian Life/Health Insurers, 05/26/2022](#)

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