

KBRA Publishes Surveillance Report for Guaranty Income Life Insurance Company

NEW YORK, NY (August 30, 2018) – On August 15, 2018, Kroll Bond Rating Agency (KBRA) affirmed the insurance financial strength rating (IFSR) of A- with a Stable Outlook for Guaranty Income Life Insurance Company (GILICO). GILICO is a legal reserve life insurance company based in Baton Rouge, Louisiana. The company’s primary focus is on deferred annuity products, including indexed annuities and annuity policies featuring long-term care benefits. GILICO is a subsidiary of Kuvare U.S. Holdings, Inc. (Kuvare).

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 in 2016 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 target 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 support 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 annuity 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 policy owners to remain eligible for LTC benefits. Additionally, GILICO’s smaller size relative to more well-established peers presents some competitive challenges. Finally, the company has notable exposure to non-agency residential mortgage-backed securities (RMBS) – albeit all investment grade and paying down rather quickly – at roughly 100% of statutory capital. KBRA notes that the company’s investment portfolio is overseen by highly experienced, specialized asset managers with proven track records and 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 October 10, 2017.

To access the report, click [here](#).

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