

KBRA Affirms Insurance Financial Strength Rating for Catholic Financial Life

NEW YORK (December 6, 2019) – Kroll Bond Rating Agency (KBRA) affirms the insurance financial strength rating (IFSR) of A-, with a Stable Outlook, of Catholic Financial Life (CFL or the Society), a fraternal benefit society domiciled in Milwaukee, Wisconsin.

The rating reflects CFL's conservative balance sheet, solid membership base, steady statutory earnings, M&A expertise, diversified business mix and value-added ERM practices. CFL is the second largest Catholic fraternal membership society, helping members achieve financial security while supporting the Catholic community through fraternal outreach. The Society is focused on writing continuous pay life products and growing membership within its current product offerings. KBRA believes participating whole life to be the industry's most creditworthy product. CFL has decades of experience acquiring and/or merging with other fraternal, successfully integrating the inforce blocks of business, and recognizing efficiencies from the added economies of scale. The Society has reported solid, consistent profitability across its life and annuity business lines, which has resulted in steady capital growth. Moreover, CFL has excellent liquidity, favorable lapse experience, strong persistency and good financial flexibility with no outstanding debt. Finally, the Society's investment portfolio is of high quality and is principally managed by Wellington. Risk assets are minimal.

Balancing these strengths are CFL's noteworthy exposure to spread compression within its annuity block due to relatively high crediting rates and low new money rates. Similar to its peers, CFL will be challenged to increase membership without relying on acquisitions as well as attract and retain employees and producers given the aging demographic and competitive market environment for insurance talent. Although CFL has benefitted significantly from its past acquisitions, merger activity inherently entails execution risk with respect to employees, agents and advisors as well as systems integration and expense synergies. Relative to other fraternal, CFL's corporate governance is quite strong and enterprise risk management practices are fairly progressive but continue to evolve. Finally, KBRA will monitor the results of CFL's cash flow testing as the annuity block has historically failed some of the declining (albeit onerous) interest rate scenarios. However, in aggregate, the Society has passed all scenarios and sensitivities with substantial cushion.

A surveillance report will be forthcoming.

Related Publications: (available at www.kbra.com)

- [**U.S. Fraternal Benefit Societies Have Come A Long Way: 2019 Update**](#)
- [**Are Two \(IFSR\) Ratings Better Than One? You Decide**](#)
- [**Global Insurer & Insurance Holding Company Rating Methodology**](#)

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