KBRA KROLL BOND RATING AGENCY

KBRA Assigns Insurance Financial Strength Rating to Landmark Life Insurance Company

NEW YORK, NY (September 28, 2018) – Kroll Bond Rating Agency (KBRA) assigns an insurance financial strength rating (IFSR) of BBB- with a Stable Outlook to Landmark Life Insurance Company (Landmark Life). Landmark Life, founded in 1964, is a final expense life insurance and annuity company and third-party administrator.

The rating reflects Landmark Life's consistent operating profitability, solid balance sheet, long-standing agency relationships, and steady revenue streams from its final expense and third-party administration (TPA) businesses. Landmark Life is a Texas-domiciled stipulated premium life insurance company licensed in 34 states, with most of its premium from Texas. The company has two principal business lines: final expense policies (a low face amount life insurance product) and TPA services. In addition, Landmark Life has a legacy block of annuity policies. The company has not underwritten new annuity policies since 2011.

Its two main lines offer complementary characteristics – final expense is Landmark Life's main product, comprising most of its revenue, while TPA services offer a non-capital-intensive way to grow. This is important as management is considering increasing its retention. This strategy will necessitate additional capital and reliance upon Landmark Life's emerging TPA operation to provide this support over time. Landmark possesses a solid balance sheet with sound risk-adjusted capitalization, conservative reserving practices and an above-average ratio of capital and surplus to liabilities. The bond portfolio is conservatively managed, with diversification by sector and geography as well as good liquidity characteristics. KBRA notes that, relative to final expense peer companies, Landmark Life's current overall persistency is excellent at 74% and its mortality experience is well above-average. Moreover, the company is a member of the Federal Home Loan Bank of Dallas, which it utilizes for back-up liquidity.

Offsetting these credit strengths is Landmark Life's TPA client concentration as over 75% of fee income (and 21% of total revenue) comes from administering blocks from the Liberty Bankers Insurance Group. Although KBRA believes it is unlikely, the loss of this client would have a significant impact on the company's results. Additionally, Landmark Life's market share is modest, the final expense arena is quite competitive, and the company's expense ratio remains higher than peers. A portion of Landmark Life's asset portfolio is invested in mortgage loans – 6% of total investments and nearly half of total adjusted capital. These loans are fairly concentrated geographically (within fifty miles of company headquarters) and by borrower (only 19 borrowers). This is partly mitigated by a low loan-to-value at origination of roughly 75% and overall loan-to-value for the portfolio of about 54% at year-end 2017. Finally, KBRA believes that key man risk exists in that Landmark Life – typical of small insurers – needs to develop bench strength for succession.

The ratings are based on KBRA's **Global Insurer & Insurance Holding Company Rating Methodology** published on October 10, 2017.

A full report will soon be available on **www.kbra.com**.

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