

KBRA Affirms Insurance Financial Strength Rating of Catholic Order of Foresters

NEW YORK, NY (November 8, 2018) – Kroll Bond Rating Agency (KBRA) affirms the insurance financial strength rating (IFSR) of A-, with a Stable Outlook, of Catholic Order of Foresters (COF or the Order), a fraternal benefit society domiciled in Naperville, Illinois.

The rating reflects COF's solid balance sheet, considerable membership base, profitable operations, diversified business mix, and long-term strategic focus. COF is the third largest Catholic fraternal membership society (based on net admitted assets as of June 30, 2018), helping members achieve financial security while supporting the Catholic community through fraternal outreach. The Order is focused on writing continuous pay life products and growing membership within its current product offerings. COF has reported solid, consistent profitability across its life and annuity business lines, which has resulted in steady, predictable capital growth. The Order is also engaging with its distribution to tailor its products, and deploying service initiatives, to better reach a younger target consumer. Moreover, KBRA believes COF has sound liquidity, favorable lapse experience, strong persistency and good financial flexibility, as evidenced by ample access to capital, with no debt outstanding.

Balancing these strengths are COF's noteworthy exposure to spread compression within its legacy annuity book due to relatively high crediting rates. This is partially offset by lower guarantees in new product sales and recent increases in interest rates. Additionally, although manageable, the Order's investment portfolio contains notable exposure to higher-risk assets such as below investment grade bonds, equities and mortgage loans, and takes on liquidity and structural risk through material investments in private placements, structured bonds, CLOs and CMBS. KBRA notes that equity investments are part of COF's non-core allocation, hence they do not back insurance liabilities. Like its fraternal peers, COF has been challenged to reverse the decline in membership. Lastly, KBRA will continue to monitor the results of COF's recaptured closed long-term care block, which is likely to necessitate reserve increases in the near to medium term.

The rating is 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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