S&P Global Ratings

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Research Update:

Lincoln Benefit Life Co. Outlook Revised To Negative From Stable; 'BBB+' Ratings Affirmed

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Overview

- We are uncertain whether Lincoln Benefit Life Co. (LBL) can grow its business through acquisition of additional closed book transactions.
- We are revising our outlook to negative from stable and affirming our ratings on LBL.
- The negative outlook indicates that we could lower the ratings in the next 24 months.

Rating Action

On July 19, 2016, S&P Global Ratings revised our outlook on Lincoln Benefit Life Co. (LBL) to negative from stable. At the same time, we affirmed our 'BBB+' insurer financial strength and counterparty credit ratings on LBL.

Rationale

Resolution Life Ltd. acquired LBL in 2014. Since then, Resolution has not been able to close an acquisition of any other blocks of business. The outlook revision reflects our concern that Resolution may not be successful in acquiring new closed-book life and annuity business in the U.S. given the competitive environment and the company's pricing discipline.

In addition, the LBL has committed to holding capital at 350% National Assn. of Insurance Commissioners risk-based capital (RBC) with the Nebraska regulator, and has been working on reducing its RBC ratio via an expected "glide path" down to 350%. Capital adequacy per our model year over year has declined as a result of a decrease in total adjusted capital due to dividends and an increase in required capital. Upon close of the acquisition, LBL's investment portfolio was proportional in composition to the seller's investment portfolio, which had shorter duration assets. LBL has undertaken portfolio reallocation activities since the close to better align the asset-liability matching. This has resulted in increased capital charges year-over-year. We now expect the company to continue to hold approximately moderately strong or upper adequate capital adequacy per our model.

If the company ceased to acquire new blocks of business, we would apply our run-off criteria as described in Appendix A of "Insurers: Rating Methodology," published May 7, 2013, on RatingsDirect. We typically do not rate run-off insurance companies above 'BBB' unless capitalization is a clear strength to the ratings.

Outlook

The negative outlook indicates that we could lower the ratings in the next 24 months if Resolution fails to acquire any new business and opts to run off the LBL book.

We could affirm the current ratings if the company successfully closes a deal while maintaining or improving its capital adequacy per our framework.

Related Criteria And Research

- Treatment Of U.S. Life Insurance Reserves And Reserve Financing Transactions, March 12, 2015
- Methodology For Assessing Capital Charges For U.S. RMBS And CMBS Securities Held By Insurance Companies , Aug. 29, 2014
- Group Rating Methodology, Nov. 19, 2013
- Insurers: Rating Methodology, May 7, 2013
- Enterprise Risk Management, May 7, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Methodology For Assessing Capital Charges For Commercial Mortgage Loans Held By U.S. Insurance Companies , May 31, 2012
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Life: Liquidity, April 22, 2004

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Lincoln Benefit Life Co.		
Counterparty Credit Rating		
Local Currency	BBB+/Negative/--	BBB+/Stable/--
Financial Strength Rating		
Local Currency	BBB+/Negative/--	BBB+/Stable/--

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings public website at www.standardandpoors.com. Use the Ratings search box located in the left column.