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Research Update:

Lincoln Benefit Life Off CreditWatch On Deal Termination With Global Bankers Insurance Group, Downgraded; Outlook Stable

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Overview

- Lincoln Benefit Life Co. (LBL) is no longer being acquired by Global Bankers Insurance Group (GBIG).
- We are lowering our long-term issuer credit rating on LBL to 'BBB' from 'BBB+'.
- The stable outlook reflects our expectation that LBL will generate operating performance commensurate with our fair business risk profile assessment and capital adequacy at least at the 'BBB' confidence level.

Rating Action

On Nov. 28, 2018, S&P Global Ratings lowered its long-term issuer credit rating on LBL to 'BBB' from 'BBB+'. We have removed the ratings from CreditWatch Developing where we initially placed them on Oct. 2, 2017. The outlook is stable.

Rationale

We have removed our ratings on LBL from CreditWatch Developing due to termination of LBL's acquisition by GBIG. The transaction was announced in October 2017 and was pending regulatory approval.

LBL was acquired by Resolution Life Inc. in 2014. Since then, LBL HoldCo Inc. (formerly known as Resolution Life Inc.) has not acquired any other blocks of business. It is unlikely that LBL HoldCo will acquire any additional blocks, but may consider other strategic options, including seeking potential buyers for LBL.

We now view LBL's business risk profile as fair. Although, historically LBL has performed in line with our expectation, the company had volatile mortality experience in 2017 and through September 2018. We believe as a single block, LBL's operating performance is more susceptible to adverse experience than similarly rated peers'. We continue to assess LBL's capital and earnings as moderately strong with total adjusted capital of about \$647 million as of year-end 2017, demonstrating solid redundancy at the 'BBB' level based on our capital model. We expect the company to manage to at least a 350% risk-based

capital ratio.

Outlook

The stable outlook reflects our expectation that, barring any acquisitions, LBL will generate operating performance commensurate with our fair business risk profile assessment and capital adequacy at least at the 'BBB' confidence level.

Downside scenario

We could lower the rating over the next 12-24 months if there is a change in the company's financial risk strategy, increased earnings volatility, or if capital adequacy drops significantly below the 'BBB' confidence level.

Upside scenario

We believe, on a stand-alone basis, there is no upside to the rating over the next 24 months given LBL's run-off status.

Rating Score Snapshot

	To:	From:
Financial Strength Rating	BBB/Stable	BBB+/Watch Dev
Anchor	bbb	bbb+
Business Risk Profile	Fair	Satisfactory
IICRA*	Low Risk	Low Risk
Competitive Position	Less than Adequate	Adequate
Financial Risk Profile	Upper Adequate	Upper Adequate
Capital & Earnings	Moderately Strong	Moderately Strong
Risk Position	Moderate Risk	Moderate Risk
Financial Flexibility	Adequate	Adequate
Modifiers	0	0
ERM and Management	0	0
Enterprise Risk Management	Adequate	Adequate
Management & Governance	Fair	Fair
Holistic Analysis	0	0
Liquidity	Exceptional	Exceptional
Support	0	0
Group Support	0	0
Government Support	0	0

*Insurance Industry And Country Risk Assessment. Support does not consider Ratings Above Sovereign criteria.

Related Criteria

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

Ratings List

Downgraded; CreditWatch/Outlook Action

	To	From
Lincoln Benefit Life Co.		
Issuer Credit Rating		
Local Currency	BBB/Stable/--	BBB+/Watch Dev/--
Financial Strength Rating		
Local Currency	BBB/Stable/--	BBB+/Watch Dev/--

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