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Lincoln Benefit Life Co.

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Lincoln Benefit Life Co.

SACP* Assessments				SACP*		Support		Ratings		
Anchor	bbb+	+	Modifiers	0	=	bbb+	+	0	=	Financial Strength Rating
Business Risk			ERM and Management	0		Liquidity	0	Group Support	0	BBB+/Stable/--
Satisfactory			Holistic Analysis	0		Sovereign Risk	0	Gov't Support	0	
Financial Risk										
Upper Adequate										

*Stand-alone credit profile.
See Ratings Detail for a complete list of rated entities and ratings covered by this report.

Rationale

Business Risk Profile: Satisfactory

- Adequate competitive position supported by product and geographic diversity of block of business
- Lack of operating performance track record on a stand-alone basis, but size and age of the block should benefit predictability

Financial Risk Profile: Upper Adequate

- Upper adequate financial risk profile anchored by moderately strong capital and earnings
- Moderate risk position reflects lumpy nature of the closed-block acquisition business given lack of scale

Other Factors

- A combined management and governance score of adequate is neutral to the rating

Outlook: Stable

The outlook is stable, reflecting Standard & Poor's Ratings Services' expectation that capital will remain redundant at least at the 'A' level, and that operating performance will be stable.

Downside scenario

We could lower the ratings if we expected capital to deteriorate to upper adequate or if operating performance is materially less than our expectations, which would hurt our view of Lincoln Benefit Life Co.'s (LBL) competitive position.

Upside scenario

At this time, ratings upside is limited in the medium term because we would likely need to see a track record of successful acquisitions within the U.S. to view LBL's competitive position more favorably.

Base-Case Scenario**Macroeconomic Assumptions**

- U.S. Real GDP growth of about 2.3% in 2015 and 2.7% in 2016
- Average 10-year U.S. Treasury yield of about 2.2% in 2015 and 2.8% in 2016
- U.S. 'AAA' corporate bond yields of about 3.1% in 2015 and 4.1% in 2016
- An average S&P 500 Index level of 2,109 in 2015 and 2,178 in 2016
- Average payroll employment of 142 million in 2015 and 144 million in 2016

Company-Specific Assumptions

- Capital remains at least upper adequate or better
- Operating performance is stable and in line with our expectations

Company Description

LBL is a Nebraska-domiciled insurance operating company directly owned by Resolution Life Inc. (RLI), a Delaware corporation. Resolution Life (which refers to the group as a whole, including all holding companies) is a privately held company and is sponsored by British financial services investor, The Resolution Group. Resolution Life's strategy is to acquire a number of life insurance businesses in the U.S. and focus on the needs of existing customers, rather than actively seeking new sales. Resolution Life is separate from, and unaffiliated with, Friends Life Group Ltd. (formerly known as Resolution Ltd.), a company publicly traded on the London Stock Exchange, which also was founded by The Resolution Group. We expect LBL, as part of Resolution Life's strategy, to continue to acquire blocks of life insurance business. LBL is licensed in 49 states, and its book of about 300,000 policies consists of life and annuity products written through independent agencies.

Business Risk Profile: Satisfactory

Insurance industry and country risk: Operates in the U.S.

We believe LBL faces low industry and country risk based on our low risk assessment for the U.S. life insurance sector. Our view of LBL's low country risk stems from the stable economic growth prospects, effective and stable political institutions, sophisticated financial system, and strong payment culture in the U.S. In our view, LBL's insurance operations are exposed to low industry risks. The broad availability of fixed-income instruments of appropriate duration to match insurance liabilities in the capital markets greatly supports its capability to manage asset-liability matching. We believe a weak global economy, persistent low interest rates, and intense competition will limit the broader life insurance sector's growth prospects and potential for higher operating margins.

Table 1

Industry And Country Risk		
Insurance sector	IICRA	Business mix (%)
U.S. life	Low risk	100.00

Competitive position: Relatively new, but a diversified block of business between life and annuities

We consider LBL's competitive position adequate and supportive of the rating. LBL's current block of business is relatively well-diversified from both a product perspective (approximately 40% life, 60% annuity in terms of reserves) and geographically. Generally, start-up insurers' competitive positions are limited to less than adequate. Although we consider Resolution Life a start-up insurer, we have differentiated LBL's competitive position because of the positive track record associated with the Resolution brand and the Resolution team's experience running this type of business model. However, because it will take time to establish a track record of operating performance in the U.S., we believe there is limited upside to LBL's competitive position for the medium term. In second- and third-quarter 2014, LBL experienced some adverse mortality relative to its initial expectations, resulting in operating performance that was slightly below our initial expectations. However, mortality has since returned to normalized levels and we expect statutory net income to stabilize around \$40 million-\$50 million during the next few years.

Table 2

Competitive Position					
	--Year ended Dec. 31--				
(Mil. \$)	2014	2013	2012	2011	2010
Gross premiums and annuity considerations	1,524.88	1,648.10	1,671.42	1,694.94	2,202.09
Change in gross premiums and annuity considerations (%)	(7.48)	(1.40)	(1.39)	(23.03)	(10.23)
Net premiums and annuity considerations	7,037.98	0.00	0.00	0.00	0.00
Total assets under management	12,651.25	2,070.87	2,008.92	2,052.36	2,396.60
Growth in total assets under management (%)	510.91	3.08	(2.12)	(14.36)	(0.91)

*Data does not include Lancaster Re. 2013 and prior is pre-acquisition by RLI.

Financial Risk Profile: Upper Adequate

Capital and earnings: Should remain supportive of the ratings, but significant uncertainty in forecasting

Capital and earnings as of year-end 2014 was redundant at the 'AA' level per our risk-based capital adequacy model. However, because of uncertainty in forecasting due to the lack of a meaningful historical track record of either earnings or dividends, we moderate our view and consider capital moderately strong overall. We expect capital to remain redundant at least at 'A' during the next three years, in part because Resolution Life has committed to maintaining at least 350% risk-based capital (RBC) at LBL to the Nebraska regulator as part of the terms of the acquisition from Allstate.

Table 3

Capitalization Statistics					
	--Year ended Dec. 31--				
(Mil. \$)	2014	2013	2012	2011	2010
Total assets	12,651.25	2,070.87	2,008.92	2,052.36	2,396.60
Adjusted total assets	12,627.09	1,951.98	1,891.99	1,896.00	2,251.20
Capital and surplus	719.01	332.47	323.94	319.45	310.83
Change in capital and surplus	116.26	2.63	1.41	2.77	1.58
Total adjusted capital (TAC)	752.08	333.59	325.04	320.43	311.80
Change in TAC (%)	125.45	2.63	1.44	2.77	1.59

*Data does not include Lancaster Re. 2013 and prior is pre-acquisition by RLI.

Table 4

Earnings Statistics						
	--Year ended Dec. 31--					
(Mil. \$)	2014	2013	2012	2011	2010	
Total revenue	9,214.14	8.65	32.78	6.73	102.98	
EBIT adjusted	381.05	11.53	12.42	12.62	12.81	
Net income	225.97	7.68	8.54	8.56	8.68	
Return on revenue	4.14	133.23	37.90	187.50	12.44	
Return on revenue (including realized gains/losses)	4.17	133.23	37.90	187.50	12.45	
Return on assets (excluding realized gains/losses)	5.18	0.57	0.61	0.57	0.53	
Return on capital and surplus (%)	42.98	2.34	2.65	2.71	2.81	
Expense ratio (%)	(2.61)	0.00	0.00	0.00	0.00	
Administrative expense ratio (%)	0.01	N.A.	N.A.	N.A.	N.A.	
General expense ratio (%)	0.65	0.00	0.00	0.00	0.00	
Prebonus pretax earnings/total assets (%)	5.18	0.57	0.61	0.57	0.53	

*Data does not include Lancaster Re. 2013 and prior is pre-acquisition by RLI. N.A.-Not available.

Risk position: Moderate due to potential capital and earnings volatility

Although the company has limited investment-portfolio risks, closed block acquisitions by nature subject LBL to significant capital and earnings volatility as new acquisitions of large blocks of business can have an outside impact on

LBL's financial risk profile. We believe Resolution Life, as a new entrant into the U.S. life insurance closed-block acquisition market (established competitors in the space include Wilton Re and Protective), will likely pursue acquisition opportunities in the next few years. Given the current size of the company, we expect any successfully closed acquisition to have a significant effect on LBL's financial risk profile.

Table 5

(Mil. \$)	--Year ended Dec. 31--				
	2014	2013	2012	2011	2010
Total invested assets (incl. affiliated investments)	10,892.79	280.02	301.00	250.38	274.87
Change in total invested assets (%)	3,789.94	(6.97)	20.22	(8.91)	2.02
Separate account assets	1,573.87	1,700.57	1,625.68	1,682.13	2,017.18
Net investment income	271.87	10.68	11.32	11.58	11.85
Realized capital gains/(losses)	3.65	0.00	0.00	0.00	0.01
Unrealized gains/(losses)	149.42	5.95	21.24	20.86	15.61
Net investment yield (%)	4.87	3.68	4.11	4.41	4.35
Net investment yield including realized capital gains/(losses) (%)	4.93	3.68	4.11	4.41	4.36
Net investment yield including all gains/(losses) (%)	7.61	5.72	11.81	12.35	10.09
Portfolio composition (% of general account invested assets)					
Cash and short-term investments	3.26	(2.15)	(3.22)	(25.58)	(11.57)
Bonds	84.03	101.75	102.76	124.93	110.91
Unaffiliated equity investments	(0.78)	0.00	0.00	0.00	0.00
Real estate	0.00	0.00	0.00	0.00	0.00
Mortgages	10.93	0.00	0.00	0.00	0.00
Investments in affiliates	0.00	0.00	0.00	0.00	0.00
Investments in partnerships, joint ventures, and other alternative investments	0.00	0.00	0.00	0.00	0.00
Other investments	2.56	0.40	0.46	0.65	0.66

*Data does not include Lancaster Re. 2013 and prior is pre-acquisition by RLI.

Financial flexibility: Adequate

LBL itself has no debt, but RLI (an intermediate holding company), as part of the LBL acquisition, had a \$175 million senior secured term loan facility that amortizes over a four-year period (the current balance is \$131 million). We estimate that this results in financial leverage of about 29%, but we expect this to decline substantially as the loan amortizes. Although LBL is currently the sole operating company owned by RLI, Resolution Life has a number of equity investors. The equity securities of RLI are pledged as collateral to secure the loan. Coverage is relatively high from a statutory net income perspective at about 10x, and we expect it to improve significantly as the loan amortizes during the next few years. LBL has external reinsurance agreements in place, but we expect most of its access to debt capital markets to be through its parent.

Table 6

Financial Flexibility					
	--Year ended Dec. 31--				
(Mil. \$)	2014	2013	2012	2011	2010
Cash Flows					
Net cash flow from operating activities	7,910.43	(7.61)	46.75	(18.87)	9.92
Net cash flow from investing activities	(10,343.83)	23.75	3.31	(7.07)	(5.60)
Net cash from from financing activities	2,795.01	(12.47)	4.28	(6.28)	(3.72)

*Data does not include Lancaster Re. 2013 and prior is pre-acquisition by RLI.

Other Assessments

Overall, we consider enterprise risk management (ERM) and management and governance neutral to the rating.

Enterprise risk management: Adequate

Although nascent, we believe LBL's ERM program is sufficient to manage its risks. Since the company's inception, LBL has established a formal risk appetite statement that is board-approved and has set risk capacity using four key metrics. The company also monitors its key risks--credit, insurance, operational, and interest rates--and has established hard limits for certain risks such as credit. When a limit is breached, the company has a specific plan in place to address the breach. We believe the company will continue to make significant progress in further formalizing its ERM program during the next few years.

Management and governance: Clear strategy, but short track record

We consider LBL's management and governance fair and supportive of the rating. We regard favorably management's expertise and experience, as key executives are well-experienced within the U.S. life insurance space. We also believe the company's strategy is very clear, with specific goals for measuring operational and strategic success. However, as the team itself is relatively new, we would need to see a track record of success and execution to assess management and governance more favorably.

Liquidity: Adequate

As of Dec. 31, 2014, LBL's liquidity ratio was approximately 170%. The senior secured term loan in RLI has some covenants around RBC, debt-to-statutory capital and surplus, and combined statutory and surplus ratios for LBL. LBL was well in excess of these covenants as of year-end 2014 and we expect it to maintain significant cushion relative to the covenants during the next few years. We expect the principal payments of the term loan to stem from capital release as the book of business runs off, in addition to ongoing earnings.

Rating Score Snapshot	
Financial Strength Rating	BBB+/Stable/--
Anchor	bbb+
Business Risk Profile	Satisfactory
IICRA*	Low Risk
Competitive Position	Adequate
Financial Risk Profile	Upper Adequate

Rating Score Snapshot (cont.)

Capital & Earnings	Moderately Strong
Risk Position	Moderate Risk
Financial Flexibility	Adequate
Modifiers	0
ERM and Management	0
Enterprise Risk Management	Adequate
Management & Governance	Fair
Holistic Analysis	0
Liquidity	Adequate
Support	0
Group Support	0
Government Support	0

*Insurance Industry And Country Risk Assessment.

Related Criteria And Research

- Methodology: 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
- Methodology For Assessing Capital Charges For Commercial Mortgage Loans Held By U.S. Insurance Companies, May 31, 2012
- 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
- 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

Ratings Detail (As Of August 5, 2015)**Operating Company Covered By This Report****Lincoln Benefit Life Co.**

Financial Strength Rating

Local Currency

BBB+/Stable/--

Counterparty Credit Rating

Local Currency

BBB+/Stable/--

Senior Unsecured

BBB+

Domicile

Nebraska

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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