Best's Rating Report

OXFORD
LIFE INSURANCE COMPANY

Phoenix, Arizona

A-

Ultimate Parent:
AMERCO
OXFORD LIFE INSURANCE COMPANY

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Tel: 602-263-6666 **Fax: 602-277-5901**
AMB#: 007890 **NAIC#: 76112**
Ultimate Parent#: 058314 **FEIN#: 86-0216483**

BEST'S CREDIT RATING

Best's Financial Strength Rating: A- **Outlook**: Stable
Best's Financial Size Category: VIII

RATING RATIONALE

The following text is derived from A.M. Best's Credit Report on Oxford Group (AMB# 070367).

Rating Rationale: The ratings of Oxford Life Insurance Company (OLIC) and its life insurance subsidiary, Christian Fidelity Life Insurance Company, (collectively Oxford Group) reflect the group's favorable consolidated financial strength, which is supported by its stable, improving operating trends, strong risk-based capitalization and increased organic growth in its core business lines that serve the senior market. The ratings also acknowledge the group's historically profitable reinsurance activities and new marketing and product strategies to support its long-term business growth. Partially offsetting these positive factors are concerns of sustaining positive revenue and earnings momentum in all lines of business, as intense competition, the level of interest-sensitive reserves, the prolonged low interest rate environment and regulatory hurdles for its market niches remain as areas of concern.

OLIC, combined with its operating subsidiary, Christian Fidelity Life Insurance Company, is focused in the senior marketplace through final expense, Medicare supplement and fixed annuity business lines.

Oxford Group continues to generate favorable and improving operating results, which have enabled it to maintain strong risk-adjusted capitalization. Oxford Group's niche senior market focus has been enhanced by reinsurance assumption activity, generating sizeable books of business in the final expense and Medicare supplement product lines. Oxford Group has also demonstrated organic growth, driven by the introduction of new annuity products, entry into new states within the Medicare supplement line of business and continued agent expansion. When measured on both a statutory and GAAP basis, the earnings performance has been positive in recent years, barring the statutory impact of reinsurance-related acquisition costs and strain from new business growth. Going forward, A.M. Best expects Oxford Group to primarily grow new business organically, while maintaining positive earnings performance and favorable risk-adjusted capitalization.

OLIC and its life subsidiaries are ultimately owned by AMERCO, which is the parent of U-Haul International, Inc., the leading "do-it-yourself" household moving and self-storage operator in North America. While these companies remain a unique fit within the organization, AMERCO has demonstrated a long history of commitment and has maintained support of the company's strategic growth plans, with no dividends taken in recent years.

A.M. Best notes that Oxford Group remains vulnerable to intense competition, regulatory challenges, the level of interest-sensitive reserves and persistently low interest rates. These factors pose challenges for the core Medicare supplement, annuity and final expense businesses. Although the Medicare supplement line remains the group's core contributor to profitability, other lines of business such as final expense and fixed annuities could distort the group's statutory results due to new business strain, low interest rates, and a competitive domestic market. Other key challenges for the group include the ability to increase top-line premium growth organically as well as to obtain needed rate adjustments.

Key factors that could result in a positive rating action include significant and profitable growth within ordinary life insurance. Key factors that could result in a negative rating action include a material deterioration in AMERCO's balance sheet and operating results, increased product concentration risks or higher growth in less creditworthy product lines.

KEY FINANCIAL INDICATORS ($000)

Year	Assets	Total Capital Capital Surplus Funds	Asset Valuation Reserve	Net Premiums Written	Net Invest Income	Net Income
2011	693,459	129,445	8,492	188,504	33,081	4,028
2012	968,610	137,658	10,854	350,913	56,751	19,673
2013	1,097,681	148,486	7,459	197,072	54,166	11,130
2014	1,197,513	158,512	9,290	191,367	61,155	12,115
2015	1,490,445	172,282	11,322	372,236	68,411	12,150

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

BUSINESS PROFILE

The following text is derived from A.M. Best's Credit Report on Oxford Group (AMB# 070367).

Oxford Life Insurance Company (OLIC) is a wholly owned stock subsidiary of AMERCO, a publicly traded Nevada corporation that is engaged in moving and self-storage, real estate, and insurance in the United States and Canada through various subsidiaries. AMERCO is also the parent of Repwest Insurance Company, a property and casualty company. OLIC is licensed in 48 states and the District of Columbia. OLIC is the flagship life insurance company in the group and it wholly-owns North American Insurance Company (NAI) and Christian Fidelity Life Insurance Company (CFLIC). The life insurance operations are managed as one unit by the management of OLIC.

OLIC is a direct writer of senior market insurance products. OLIC's primary lines of business include Medicare Supplement, multi-year fixed annuities, fixed indexed annuities, and final expense insurance. In addition, there are small blocks of health insurance which are now entirely in run-off. Encore Financial, Inc., the former holding company for North American Insurance (NAI), was merged into OLIC in 2007. In 2000, OLIC acquired Christian Fidelity Life Insurance Company (CFLIC), which acquired Dallas General Life Insurance Company (DGLIC) in 2006, reinforcing its business plan to grow premiums within the senior market. DGLIC was merged into CFLIC in December 2012. OLIC previously focused on reinsurance activity. To reduce product line and business concentration risk, the company has expanded its direct sales efforts by increasing the number of producers and the products it can sell.

As expected, positive sales growth occurred in 2015 with the introduction in 2014 of a new multi-year guaranteed annuity product. The annuity business line continues to represent the largest portion of premium income. At year-end 2015, the company's fixed annuity reserve had grown larger than its fixed index annuity reserve. The index annuity product has a credited rate based on the S&P 500. The policyholder has the choice to place funds into a fixed, point to point or monthly average "bucket." The company purchases options to hedge the point to point and monthly average buckets.

The company continues to experience steady growth in its Medicare Supplement business through the use of additional producers and recent significant geographic expansion. The company has strict underwriting standards but competitive premium rates. A.M. Best notes that competition in this product segment has remained intense in recent years. The Medicare Supplement business contains both direct written business and business acquired through prior acquisition.

The final expense segment is also viewed as highly competitive. Oxford Group offers a simplified underwriting process with no modified or graded death benefit products offered. Sales levels have increased consistent with the level of producing agents in recent years.

Territory: The company is licensed in the District of Columbia, AL, AK, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, WA, WV, WI and WY.

OPERATING PERFORMANCE

The following text is derived from A.M. Best's Credit Report on Oxford Group (AMB# 070367).

Operating Results: Oxford Group's consolidated statutory gains from operations remained relatively flat from 2014 to 2015, continuing the recent overall trend of improvement over the past five years on both a statutory and GAAP basis. As expected, premium revenue rebounded in 2015, after declining for several years, with the introduction in 2014 of a new multi-year guaranteed annuity product. The final expense and Medicare supplement lines saw moderate revenue increases. Statutory earnings were flat in 2015, as increases in investment income were offset by new business strain. As the company continues to expand its final expense and Medicare supplement business, strain will continue to negatively impact operating results.

On a consolidated GAAP basis, OLIC and its affiliates have reported favorable results in recent years from the Medicare supplement, individual life and individual annuity lines. Historically, the vast majority of statutory operating gains were produced by a combination of the Medicare supplement and the reinsurance of run-off blocks. The strong annuity sales in 2015 are expected to continue in 2016, driven primarily by the multi-year guaranteed annuity product introduced in 2014. In previous years, OLIC's group earnings were impacted by the strain from the increased level of individual life and annuity business growth due to the introduction of new products.

With the company's growth focus on the senior marketplace, Oxford Life continues to market annuities, final expense, and Medicare Supplement products. Final expense sales have continued to rise due to the company's upgraded product and marketing strategies and will continue to grow as one of the core lines of business. While highly competitive, Medicare Supplement business also remains the company's core line of business and provides the largest earnings contribution to the consolidated gains on a statutory and GAAP basis. Going forward, Oxford Life and its operating subsidiaries will continue to grow its premiums and earnings organically, while its past reinsured blocks continue to generate incremental earnings with the premiums from these blocks steadily decreasing.

BALANCE SHEET STRENGTH

The following text is derived from A.M. Best's Credit Report on Oxford Group (AMB# 070367).

Capitalization: Risk-adjusted capitalization is viewed as strong relative to the group's investment, insurance and business risks. Capital has grown over the past five years at a CAGR in excess of 6% while invested assets have doubled over the past four years. Concurrently, operating earnings, together with the prior divestiture of risky assets, have enabled the company to strengthen its risk-adjusted capital position. OLIC has not paid a dividend to AMERCO since 2009, allowing for continued accretion of surplus. While dividends are paid within the group, the proceeds are retained at the OLIC level.

At the parent company level, AMERCO maintains a leveraged capital position as a result of the capital-intensive nature of its core non-insurance business activities. The life company operations are not required for the repayment of any of AMERCO's outstanding debt or for interest coverage. AMERCO's management expects that the operations of U-Haul will fund requirements through internally generated funds, including the disposition of older trucks and other asset sales. AMERCO continues to improve upon the utilization of its rental fleet and storage facilities, and increased margins. Overall, AMERCO utilizes these efforts to have strong returns on its core rental and leasing operations, and, ultimately, service its debt.

The following text is derived from A.M. Best's Credit Report on Oxford Group (AMB# 070367).

Liquidity: Oxford Group has maintained adequate liquidity throughout the years. Primary sources of cash are premium receipts and investment income. Benefit and claim statistics are continually monitored to provide projections of future cash requirements. As part of this monitoring process, the company performs cash flow testing and asset liability management to evaluate the adequacy of resources to pay benefits, claims and other obligations.

In December 2013, Oxford Life became a member of the Federal Home Loan Bank of San Francisco. Oxford Group utilizes these funds as backup liquidity and to improve investment margins. As of December 2015, the total borrowing availability was approximately $144 million with a remaining borrowing availability of approximately $114 million.

The following text is derived from A.M. Best's Credit Report on Oxford Group (AMB# 070367).

Investments: OLIC's investment policy provides for guidelines for asset diversification, credit quality, liquidity and maturity. The portfolio is comprised mostly of fixed income securities, which include mortgage backed securities. Below investment grade holdings have remained low, at less than 3% of the bond portfolio as of year-end 2015. On a group basis, OLIC and its subsidiaries adhere to a standardized asset allocation strategy, which is managed centrally by OLIC's investment staff.

Mortgage loans have grown as the asset base has grown, and have represented between 10% and 12% of invested assets since 2007. The loans are geographically diversified across the United States. A vast majority of all mortgage loans are backed by retail properties, with the remainder allocated among apartment buildings, offices, and warehouses. A portion of the loan portfolio includes self-storage loans referred by its parent. Most of the mortgages are performing to original standards, primarily due to the lower-risk profile of these loans, geographic diversity, and strict underwriting guidelines. The remainder of the investment portfolio includes holdings in preferred and common stock, short-term investments, and cash. OLIC's preferred stock is comprised of banks and other financial firms, and its common stock is held in subsidiaries, NAI and CFLIC. Short-term investments include certificates of deposit and money market funds. Other assets include derivatives comprised of S&P 500 call options that have been purchased to hedge the fixed index annuity products.

MANAGEMENT

Officers: President, Mark A. Haydukovich; Vice President and Treasurer, Charles E. Miller, Jr.; Vice President, Michael A. Quaranta; Controller, Galina Braslavsky.
Directors: Jason A. Berg, Mark A. Haydukovich, Daniel R. Mullen, Samuel J. Shoen, Mary K. Thompson, Rocky D. Wardrip.

Balance Sheet
Assets ($000)

	YE 2015
Total bonds	$1,182,894
Total preferred stocks	1,000
Total common stocks	43,327
Mortgage loans	180,889
Real estate	13,573
Contract loans	16,704
Cash & short-term invest	20,338
Prems and consids due	3,683
Accrued invest income	15,252
Other assets	12,786
Assets	$1,490,445

Liabilities ($000)

Net policy reserves	$1,234,523
Policy claims	15,623
Deposit type contracts	36,804
Interest maint reserve	8,341
Comm taxes expenses	3,735
Asset val reserve	11,322
Other liabilities	7,816
Total Liabilities	$1,318,164
Common stock	2,500
Paid in & contrib surpl	16,435
Unassigned surplus	153,347
Total	$1,490,445

Why is this *Best's*® *Rating Report* important to you?

A Best's Rating Report from the A.M. Best Company showcases the **opinion** from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders, as well as its relative credit risk.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of the insurance companies since 1899.

A Best's Financial Strength Rating is an **independent opinion** of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations.

The Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance policy and contract obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. The rating is **not a recommendation** to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

In arriving at a rating decision, A.M. Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, A.M. Best does not independently verify the accuracy or reliability of the information.

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