

BEST'S RATING REPORT

OXFORD

LIFE INSURANCE COMPANY

OXFORD GROUP

AMB #: 070367

NAIC #: N/A

FEIN #: N/A

Phone:

Fax:

Website: N/A

OXFORD LIFE INSURANCE COMPANY

A

Domiciliary Address: 2721 North Central Avenue, Phoenix, Arizona 85004-1172 United States

AMB #: 007890

NAIC #: 76112

FEIN #: 86-0216483

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Best's Credit Rating Effective Date

July 29, 2021

Analytical Contacts

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Information

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

[Market Segment Outlooks](#)

Financial Data Presented

Financial data in this report: (i) includes data of affiliated entities that are not rating unit members where analytics benefit from inclusion; and/or (ii) excludes data of rating unit member entities if they operate in different segments or geographic areas than the Rating Unit generally. See [list of companies](#) for details of rating unit members and any such included and/or excluded entities.

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

Oxford Group

AMB #: 070367

Associated Ultimate Parent: AMB # 058314 - AMERCO

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)

A
Excellent
Outlook: Stable Action: Upgraded

Issuer Credit Rating (ICR)

a
Excellent
Outlook: Stable Action: Upgraded

Assessment Descriptors

Balance Sheet Strength	Very Strong
Operating Performance	Adequate
Business Profile	Neutral
Enterprise Risk Management	Appropriate

Rating Unit - Members

Rating Unit: Oxford Group | AMB #: 070367

AMB # Rating Unit Members
006217 Christian Fidelity Life Ins Co

AMB # Rating Unit Members
007890 Oxford Life Insurance Company

Rating Rationale

Balance Sheet Strength: **Very Strong**

- Very strong level of risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR) at the 99.6% confidence level.
- Steady capital and surplus; slight decline in 2020 primarily due to a one-time dividend to parent.
- Lower-risk investment portfolio consisting primarily of investment-grade bonds with minimal exposure to equities; increasing exposure to mortgage loans.
- With the growth of the group's annuity business in recent years, approximately 85% of total reserves are interest sensitive, exposing Oxford to more interest rate and market risk.

Operating Performance: **Adequate**

- The group has maintained a history of profitable earnings driven primarily by consistent and increasing net investment income.
- Significant five-year premium growth driven by higher sales of the group's individual annuity products, specifically its multi-year guaranteed annuity product.
- Although profitable, statutory operating results in 2020 were significantly impacted by an increase in mortality claims due to COVID-19 deaths, as well as statutory strain due to record sales in its annuity and final expense products.

Business Profile: **Neutral**

- The group's primary lines of business include Medicare supplement, multi-year fixed annuities, fixed indexed annuities, and final expense insurance.
- Licensed in 48 states and the District of Columbia with no state-specific concentration risk.
- Seasoned and experienced management team.
- Competes in highly competitive markets including life, annuities, and Medicare supplement.

Enterprise Risk Management: **Appropriate**

- ERM strategy was designed to improve risk measurement and quantification processes; better manage risk profile; and ensure risk management considerations that are explicitly factored into decision-making, product pricing and business planning.
- Multi-faceted ERM framework with dedicated staff, specialized committees, and comprehensive policies and procedures to identify and monitor risks, with internal and external audits completed at least annually.
- The Oxford Group, in combination with U-Haul's IT security, has substantial system and data breach controls in place, as well as regularly-conducted penetration testing and ongoing monitoring for cyber threats.

Rating Lift/Drag

- Oxford does not receive any lift or drag from its parent, AMERCO, a North American leader in "do-it yourself" moving and the third-largest owner and operator of self-storage.

Outlook

- The stable outlooks reflect the expectation that the group's rating fundamentals will remain unchanged over the intermediate term. Risk-adjusted capitalization is expected to remain at the very strong level, as measured by the BCAR. Operating performance is expected to remain favorable as the group grows in key business lines.

Rating Drivers

- A negative rating action may occur if there is a material decline in operating performance.
- A negative rating action may occur if there is a material decline in risk-adjusted capitalization.

Credit Analysis

Balance Sheet Strength

Capitalization

Risk-adjusted capitalization is categorized as "very strong" relative to the group's investment, insurance and business risks as measured by AM Best's capital adequacy ratio. BCAR declined in 2020, reflecting a modestly higher risk profile in investments, premiums and reserves associated with the group's annuity business; however, it is expected that the group will maintain BCAR levels in line with this level going forward.

Capital has grown over the past five years at a 5.8% compound annual growth rate while invested assets have nearly doubled. Historically, Oxford Life Insurance Company (OLIC) has retained all earnings to support its business growth. However, in 2020, OLIC paid a one-time dividend to its parent, AMERCO to maximize liquidity at the holding company level due to economic uncertainty during the pandemic. The group continues to carry no debt and is a member of the FHLB of San Francisco for liquidity and investment spread purposes.

Asset Liability Management - 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, of which only 2% are of below investment grade quality. 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 currently make up 11.7% of the invested assets but have historically represented between 10% and 14% of invested assets. The remaining mortgage 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, AMERCO who has expertise in lending to storage facilities as part of its UHAUL operations. AMERCO supports the company through its advice on loan origination as well as in possible loan-default in which the parent could take the defaulted property and add to its growing self storage portfolio. The mortgages are performing to original standards, primarily due to the lower-risk profile of these loans, geographic diversity, and strict underwriting guidelines. Management has stated their ongoing appetite for up to a 15% allocation as long as underwriting standards are not compromised. The remainder of the investment portfolio includes cash and short-term investments, and minimal holdings in preferred and common stock. 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.

Operating Performance

Oxford Group's consolidated statutory gains from operations declined in 2020 from 2019 largely due to elevated mortality associated with Covid as well as increased statutory strain related to a significant increase in annuity and final expense premiums. Although statutory income remains strong, OLIC's group earnings have historically been impacted by organic growth and the strain from the increased level of individual life and annuity business growth due to the introduction of new products. Statutory earnings continued to be fueled by strong investment income. As the company continues to expand its annuity, final expense and Medicare supplement business, strain will continue to somewhat dampen generally positive 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. As of year-end 2020 approximately 56% of GAAP earnings came from annuities, with another 48% from Medicare supplement and the balance in life and runoff business lines.

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 a core line of business along with fixed annuities. Going forward, Oxford Life and its operating subsidiaries will continue to grow its premiums and earnings organically, while its reinsured blocks continue to generate incremental earnings with the premiums from these blocks steadily decreasing.

Business Profile

Oxford Life Insurance Company 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

Business Profile (Continued...)

Fidelity Life Insurance Company (CFLIC). The life insurance operations are managed as one unit by the management of OLIC. OLIC also wholly owns Oxford Agency which was rebranded in 2017 as SummerTown Financial

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 and some legacy runoff reinsurance blocks. Encore Financial, Inc., the former holding company for North American Insurance, was merged into OLIC in 2007. In 2000, OLIC acquired Christian Fidelity Life Insurance Company, 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. To reduce product line and business concentration risk, the company has expanded its direct sales efforts and the products it can sell.

The vast majority of OLIC's new premiums are annuity sales although it is managing growth in this area. Annuity sales growth in 2020 was largely driven by the multi-year guaranteed annuity (MYGA) product which was introduced in 2014. OLIC also offers an index annuity product which also increased in 2020 and 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 offer its Medicare Supplement product with simplified underwriting at point-of-sale which has significantly reduced telephone interview durations. The company maintains strict underwriting standards and competitive premium rates. AM 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.

Enterprise Risk Management

Oxford Group consistently measures and monitors the market and credit risks associated with its assets and liabilities. It has developed an integrated process for managing risk, which it conducts through its Enterprise Risk Management Function, Asset/Liability Valuation Unit, Treasury Department and Investment Department, along with the management of the business segments. The company has established and implemented comprehensive policies and procedures at both the corporate and business segment level to minimize the effects of potential market volatility and promote a company-wide culture of risk awareness. The company performs an annual review of its internal controls, measuring their effectiveness and addressing any gaps. Oxford group addresses cyber risk through penetration testing, prevention of shared and non-utilization of cloud storage. It is actively engaged in enhancing its cyber risk management practices.

The group's ERM strategy is designed to improve risk measurement and quantification processes, better manage risk profile, ensure risk management considerations that are explicitly factored into decision making, product pricing and business planning. The process is focused on identification of internal and external risk exposures, including catastrophe, event risk, and business risk. Various sensitivity tests are run under different scenarios. The process is also focused on Risk measurement metrics that monitor the impact on statutory capital, GAAP earnings and the value of the entity. There is an early warning system that identifies excess risk exposures, helping to control and mitigate risks.

Reinsurance Summary

In 2010, Oxford Life entered into a reinsurance assumption agreement with National States Insurance Company for a closed block of Medicare Supplement business, with 60% of that business assumed by NAI. The remainder was assumed by OLIC due to NAI not being licensed in all states. Also in 2010, OLIC entered into a quota share indemnity coinsurance agreement with Equitable Life and Casualty Insurance Company for a closed block of final expense business. In 2011, OLIC entered into a 50% quota share indemnity coinsurance agreement with State Mutual Life Insurance Company for a closed block of participating whole life insurance business which was terminated in November 2018.

Rating Lift/Drag

The group's ultimate parent, AMERCO, is considered a non-insurance holding company for rating purposes. No lift/drag is afforded to the group by its relationship to AMERCO.

Financial Statements

	3-Months		Year End - December 31			
	2021		2020		2019	
Balance Sheet	USD (000)	%	USD (000)	%	USD (000)	%
Cash and Short Term Investments	61,423	2.1	178,742	6.4	53,445	2.2
Bonds	2,328,981	81.1	2,178,242	78.1	2,079,503	86.3
Preferred and Common Stock	28,729	1.0	20,930	0.8	4,034	0.2
Other Invested Assets	403,109	14.0	367,162	13.2	234,780	9.7
Total Cash and Invested Assets	2,822,242	98.3	2,745,077	98.5	2,371,762	98.4
Premium Balances	3,213	0.1	2,780	0.1	2,587	0.1
Net Deferred Tax Asset	15,373	0.5	11,705	0.4	9,094	0.4
Other Assets	30,864	1.1	28,119	1.0	27,463	1.1
Total General Account Assets	2,871,691	100.0	2,787,681	100.0	2,410,906	100.0
Total Assets	2,871,691	100.0	2,787,681	100.0	2,410,906	100.0
Net Life Reserves	2,479,011	86.3	2,409,059	86.4	2,046,555	84.9
Net Accident & Health Reserves	21,646	0.8	22,144	0.8	25,437	1.1
Liability for Deposit Contracts	78,868	2.7	78,595	2.8	69,342	2.9
Asset Valuation Reserve	27,610	1.0	25,612	0.9	19,493	0.8
Other Liabilities	46,500	1.6	33,970	1.2	26,814	1.1
Total General Account Liabilities	2,653,635	92.4	2,569,380	92.2	2,187,642	90.7
Total Liabilities	2,653,635	92.4	2,569,380	92.2	2,187,642	90.7
Capital Stock	2,500	0.1	2,500	0.1	2,500	0.1
Paid-In and Contributed Surplus	16,435	0.6	16,435	0.6	16,435	0.7
Unassigned Surplus	187,122	6.5	187,366	6.7	204,329	8.5
Other Surplus	12,000	0.4	12,000	0.4
Total Capital and Surplus	218,056	7.6	218,301	7.8	223,264	9.3
Total Liabilities, Capital and Surplus	2,871,691	100.0	2,787,681	100.0	2,410,906	100.0

Source: BestLink® - Best's Financial Suite

Last Update

July 29, 2021

Identifiers

AMB #: 070367

This company is a data record that AM Best utilizes to represent the AM Best Consolidated financials for the Life, Annuity, and Accident business of AMB#: [058314 AMERCO](#).

AMB#: [007890 Oxford Life Insurance Company](#) has been assigned as the AMB Group Lead for this consolidation and should be used to access name, address, or other contact information for this AM Best Consolidated Group.

Financial Data Presented

See [LINK](#) for details of the entities represented by the data presented in this report.

Oxford Group

Operations

Date Incorporated: July 27, 1965

Domiciled: Arizona, United States

Business Type: Life, Annuity, and Accident

Organization Type: Stock

Marketing Type: Independent Agency

Best's Credit Ratings

Rating Relationship

This group represents an AM Best Rating Unit. In our opinion, companies under this Rating Unit have an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

Best's Credit Rating Effective Date: July 29, 2021

Rating rationale and credit analysis can be found in the [Best's Credit Report for AMB# 070367 - Oxford Group](#).

AMB#	Rating Unit Members	Best's Credit Ratings	
		Financial Strength Rating	Long-Term Issuer Credit Rating
006217	Christian Fidelity Life Ins Co	A	a
007890	Oxford Life Insurance Company	A	a

Oxford Life Insurance Company

Last Update

July 29, 2021

Identifiers

AMB #: 007890

NAIC #: 76112

FEIN #: 86-0216483

Contact Information

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Fax: +1-602-277-5901

Financial Data Presented

The financial data in this report reflects the most current data available at the time the report was printed.

Operations

Date Incorporated: July 27, 1965 | **Date Commenced:** June 24, 1968

Domiciled: Arizona, United States

Licensed: (Current since 05/11/2006). 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.

Business Type: Life, Annuity, and Accident

Organization Type: Stock

Marketing Type: Independent Agency

Financial Size: VIII (\$100 Million to \$250 Million)

Best's Credit Ratings

Best's Credit Rating History

AM Best has assigned ratings on this company since 1978. In our opinion, the company has an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

The following are the most recent rating events, for longer history refer to [Rating History](#) in BestLink:

Best's Financial Strength Ratings				Best's Long-Term Issuer Credit Ratings		
Effective Date	Rating	Outlook	Action	Rating	Outlook	Action
Current -						
Jul 29, 2021	A	Stable	Upgraded	a	Stable	Upgraded
Jul 30, 2020	A-	Positive	Affirmed	a-	Positive	Affirmed
Jun 28, 2019	A-	Positive	Affirmed	a-	Positive	Affirmed
Jun 29, 2018	A-	Stable	Affirmed	a-	Stable	Affirmed
Jun 29, 2017	A-	Stable	Affirmed	a-	Stable	Affirmed

Management

Officers

President: Mark A. Haydukovich

Vice President and Treasurer: Charles E. Miller, Jr.

Vice President and Chief Actuary: Robert W. Simmons

Vice President: Anthony M. Gertos

Vice President: Michael A. Quaranta

Secretary: Lauren Barbaruolo

Controller: Galina Braslavsky

Directors

Jason A. Berg
 Kevin J. Harte
 Mark A. Haydukovich
 Daniel R. Mullen
 Samuel J. Shoen
 Stewart M. Shoen

Financial Statements

Financial Statements reflected were compiled from the most recent company-filed statement available in BestLink - Best's Statement File - L/H, US.

Currency: US Dollars

	3-Months		Year End - December 31			
	2021		2020		2019	
	USD (000)	%	USD (000)	%	USD (000)	%
Balance Sheet						
Cash and Short Term Investments	58,139	2.1	174,575	6.3	47,957	2.0
Bonds	2,257,361	79.6	2,110,392	76.7	2,016,349	84.8
Preferred and Common Stock	70,329	2.5	60,726	2.2	43,582	1.8
Other Invested Assets	402,483	14.2	365,739	13.3	233,715	9.8
Total Cash and Invested Assets	2,788,313	98.4	2,711,433	98.6	2,341,603	98.5
Premium Balances	2,959	0.1	2,581	0.1	2,506	0.1
Net Deferred Tax Asset	13,389	0.5	9,644	0.4	6,707	0.3
Other Assets	29,708	1.0	27,067	1.0	26,247	1.1
Total General Account Assets	2,834,369	100.0	2,750,726	100.0	2,377,064	100.0
Total Assets	2,834,369	100.0	2,750,726	100.0	2,377,064	100.0
Net Life Reserves	2,467,136	87.0	2,397,251	87.1	2,034,554	85.6
Net Accident & Health Reserves	6,528	0.2	6,622	0.2	7,392	0.3
Liability for Deposit Contracts	72,866	2.6	72,497	2.6	68,569	2.9
Asset Valuation Reserve	27,080	1.0	25,114	0.9	19,142	0.8
Other Liabilities	42,704	1.5	30,940	1.1	24,143	1.0
Total General Account Liabilities	2,616,313	92.3	2,532,424	92.1	2,153,800	90.6
Total Liabilities	2,616,313	92.3	2,532,424	92.1	2,153,800	90.6
Capital Stock	2,500	0.1	2,500	0.1	2,500	0.1
Paid-In and Contributed Surplus	16,435	0.6	16,435	0.6	16,435	0.7
Unassigned Surplus	187,122	6.6	187,366	6.8	204,329	8.6
Other Surplus	12,000	0.4	12,000	0.4
Total Capital and Surplus	218,056	7.7	218,301	7.9	223,264	9.4
Total Liabilities, Capital and Surplus	2,834,369	100.0	2,750,726	100.0	2,377,064	100.0

Source: BestLink® - Best's Financial Suite

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do 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. A Financial Strength 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.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

In arriving at a rating decision, AM Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, AM Best does not independently verify the accuracy or reliability of the information. Any and all ratings, opinions and information contained herein are provided "as is," without any express or implied warranty.

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