

Statutory Basis Financial Statements
and Other Financial Information

Life Insurance Company of Alabama

*Years ended December 31, 2015 and 2014
with Report of Independent Auditors*



Life Insurance Company of Alabama

Statutory Basis Financial Statements
and Other Financial Information

Years ended December 31, 2015 and 2014

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Report of Independent Auditors

The Board of Directors
Life Insurance Company of Alabama

Report on the Financial Statements

We have audited the accompanying statutory financial statements of Life Insurance Company of Alabama (the Company), which comprise the statutory statements of admitted assets, liabilities, and capital and surplus of the Company as of December 31, 2015 and 2014, and the related statutory statements of operations, changes in capital and surplus, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Alabama Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of the Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the statutory financial statements, which describes the basis of accounting. As described in Note 1 to the statutory financial statements, these financial statements are prepared by the Company in conformity with accounting practices prescribed or permitted by the Alabama Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the statutory financial statements as a whole. The supplemental disclosures included in other financial information as of and for the year ended December 31, 2015, are presented to comply with the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* and are not a required part of the statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audits of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of Life Insurance Company of Alabama and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.



Tallahassee, Florida
May 25, 2016

Life Insurance Company of Alabama

Statements of Admitted Assets, Liabilities, and Capital and Surplus - Statutory Basis

	December 31,	
	2015	2014
Admitted assets		
Cash and invested assets:		
Bonds	\$ 98,696,373	\$ 93,914,673
Preferred stocks	19,150	19,150
Common stocks	4,247,174	5,219,462
Real estate	681,651	570,455
Cash and short-term investments	411,448	689,876
Policy loans	3,485,737	3,400,332
Other invested assets	985,000	1,284,455
Receivable for securities	-	78,080
Total cash and invested assets	108,526,533	105,176,483
Investment income due and accrued	1,264,272	1,335,936
Premiums due, deferred, and uncollected	2,981,038	2,848,491
Amounts recoverable on recapture of reinsurance	71,909	-
Federal income taxes recoverable	-	166,745
Net deferred tax asset	1,458,086	1,370,167
Electronic data processing equipment, net	146,742	151,802
Cash surrender value of life insurance	2,174,439	2,031,001
Other assets	-	400,015
Total admitted assets	\$ 116,623,019	\$ 113,480,640

(continued)

Life Insurance Company of Alabama

Statements of Admitted Assets, Liabilities, and Capital
and Surplus - Statutory Basis (continued)

	December 31,	
	<u>2015</u>	<u>2014</u>
Liabilities and capital and surplus		
Liabilities:		
Policy and contract liabilities:		
Aggregate reserves for life policies	\$ 41,530,306	\$ 40,129,011
Aggregate reserves for accident and health policies	22,880,174	22,702,626
Deposit-type contracts	1,347,325	1,325,126
Policy and contract claims	5,334,919	5,696,345
Provision for policyholders' dividends	<u>20,461</u>	<u>21,326</u>
	71,113,185	69,874,434
Premiums received in advance	349,603	331,611
Interest maintenance reserve	1,831,082	1,283,624
Accounts payable and accrued expenses	1,896,168	2,178,475
Taxes, licenses, and fees payable	98,797	58,855
Unearned investment income	323,248	382,587
Funds held as agent or trustee	128,604	141,703
Asset valuation reserve	1,778,990	1,695,900
Payable for securities	-	49,843
Other liabilities	303,290	230,909
Federal income taxes payable	<u>60,010</u>	<u>-</u>
Total liabilities	<u>77,882,977</u>	<u>76,227,941</u>
Capital and surplus:		
Common stock (\$5 par value; 100,000 shares authorized and issued; 87,553 shares outstanding)	500,000	500,000
Common stock - Class A (\$1 par value; 1,500,000 shares authorized; 1,000,000 shares issued; 595,173 shares outstanding)	1,000,000	1,000,000
Additional paid-in and contributed surplus	1,810,697	1,810,697
Unassigned surplus	36,147,711	34,660,368
Treasury stock, at cost	<u>(718,366)</u>	<u>(718,366)</u>
Total capital and surplus	<u>38,740,042</u>	<u>37,252,699</u>
Total liabilities and capital and surplus	<u>\$ 116,623,019</u>	<u>\$ 113,480,640</u>

See accompanying notes.

Life Insurance Company of Alabama

Statements of Operations - Statutory Basis

	Years ended	December 31,
	2015	2014
	<u> </u>	<u> </u>
Premiums and other revenues:		
Premiums and annuity considerations:		
Accident and health	\$ 30,022,801	\$ 31,375,421
Annuities	41,210	39,129
Life	<u>6,249,359</u>	<u>5,983,683</u>
	36,313,370	37,398,233
Net investment income	4,941,274	4,268,583
Net realized capital gains, net of federal income taxes	448,978	3,388,123
Other income	<u>150,000</u>	<u>517,383</u>
Total premiums and other revenues	<u>41,853,622</u>	<u>45,572,322</u>
Benefits and expenses:		
Policy and contract benefits	20,531,242	18,264,850
Change in reserves on policies and contracts	<u>1,578,843</u>	<u>1,766,750</u>
	22,110,085	20,031,600
Commissions	6,839,255	7,438,258
General insurance expenses	8,888,188	8,990,215
Insurance taxes, licenses, and fees	<u>1,023,389</u>	<u>1,054,236</u>
Total benefits and expenses	<u>38,860,917</u>	<u>37,514,309</u>
Income before dividends to policyholders and federal income tax expense	2,992,705	8,058,013
Dividends to policyholders	<u>12,961</u>	<u>13,890</u>
Income before federal income tax expense	2,979,744	8,044,123
Federal income tax expense	<u>144,698</u>	<u>1,018,357</u>
Net income	<u>\$ 2,835,046</u>	<u>\$ 7,025,766</u>

See accompanying notes.

Life Insurance Company of Alabama

Statements of Changes in Capital and Surplus - Statutory Basis

Years ended December 31, 2015 and 2014

	<u>Common stock</u>		<u>Paid-in Surplus</u>	<u>Unassigned Surplus</u>	<u>Treasury Stock</u>	<u>Total</u>
	<u>Common</u>	<u>Class A Common</u>				
Balance as of December 31, 2013	\$ 500,000	\$ 1,000,000	\$ 1,810,697	\$ 30,447,970	\$ (718,366)	\$ 33,040,301
Change in deferred income taxes	-	-	-	753,721	-	753,721
Change in nonadmitted assets	-	-	-	(731,896)	-	(731,896)
Change in asset valuation reserve	-	-	-	234,182	-	234,182
Change in net unrealized capital gains	-	-	-	(2,852,458)	-	(2,852,458)
Dividends to stockholders	-	-	-	(216,917)	-	(216,917)
Net income	-	-	-	<u>7,025,766</u>	-	<u>7,025,766</u>
Balance as of December 31, 2014	500,000	1,000,000	1,810,697	34,660,368	(718,366)	37,252,699
Change in deferred income taxes	-	-	-	285,206	-	285,206
Change in nonadmitted assets	-	-	-	(84,157)	-	(84,157)
Change in asset valuation reserve	-	-	-	(83,090)	-	(83,090)
Change in net unrealized capital gains	-	-	-	(1,000,840)	-	(1,000,840)
Dividends to stockholders	-	-	-	(464,822)	-	(464,822)
Net income	-	-	-	<u>2,835,046</u>	-	<u>2,835,046</u>
Balance as of December 31, 2015	<u>\$ 500,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,810,697</u>	<u>\$ 36,147,711</u>	<u>\$ (718,366)</u>	<u>\$ 38,740,042</u>

See accompanying notes.

Life Insurance Company of Alabama

Statements of Cash Flows - Statutory Basis

	Years ended December 31,	
	2015	2014
Operating activities		
Cash received from premiums and annuity considerations	\$ 36,161,105	\$ 37,283,850
Net investment income received	5,459,668	4,572,694
Other income received	16,559	429,764
Policyholder and contract benefits paid	(20,907,422)	(18,554,967)
Commissions, other expenses, and taxes paid	(16,934,176)	(17,159,117)
Dividends paid to policyholders	(13,478)	(14,588)
Federal income taxes paid	(500,000)	(2,083,000)
Net cash provided by operating activities	3,282,256	4,474,636
Investing activities		
Proceeds from investments sold, matured, or paid:		
Bonds	42,377,935	38,063,077
Common stocks	2,254,010	5,823,250
Other invested assets	365,557	666,063
Cost of investments acquired:		
Bonds	(46,563,674)	(45,277,336)
Common stocks	(1,588,084)	(2,469,046)
Other invested assets	(235,516)	(137,933)
Net increase in policy loans	(85,405)	(104,221)
Net cash used in investing activities	(3,475,177)	(3,436,146)
Financing activities		
Net deposits on deposit-type contracts	(25,602)	(64,814)
Dividends paid to stockholders	(464,822)	(216,917)
Other miscellaneous uses	404,917	(872,001)
Net cash used in financing activities	(85,507)	(1,153,732)
Net decrease in cash and short-term investments	(278,428)	(115,242)
Cash and short-term investments at beginning of year	689,876	805,118
Cash and short-term investments at end of year	\$ 411,448	\$ 689,876

See accompanying notes.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

Years ended December 31, 2015 and 2014

1. Summary of Significant Accounting Policies

Organization and Description of the Company

Life Insurance Company of Alabama (the Company) was incorporated on July 28, 1952, under the laws of the state of Alabama and commenced business on August 13, 1952. The Company writes and services life and accident and health policies. The Company is licensed in the states of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, and Tennessee.

Basis of Presentation

The accompanying statutory basis financial statements have been prepared in accordance with statutory accounting practices (SAP) prescribed or permitted by the Alabama Department of Insurance (the Department). Such statutory practices require preparation of the financial statements in accordance with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* subject to deviations prescribed by the Department. SAP is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such practices vary in certain respects from those under GAAP. The Company's significant accounting practices and the variances from GAAP are summarized below:

- Investments in bonds or debt securities are reported at amortized cost or fair value based on their NAIC rating; for GAAP, such fixed maturity investments would be designated at purchase as held-to-maturity, trading, or available-for-sale. Held-to-maturity fixed maturity investments would be reported at amortized cost, and the remaining fixed maturity investments would be reported at fair value with unrealized holding gains and losses reported in operations for those designated as trading and as a component of other comprehensive income for those designated as available-for-sale.
- Fair values of certain investments in bonds are based on values specified by the NAIC rather than on actual or estimated market values as would be required under GAAP. Changes between amortized cost and admitted asset investment amounts are credited or charged directly to unassigned surplus rather than to other comprehensive income as would be required under GAAP.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

- Certain assets designated as "nonadmitted," principally past-due uncollected premiums, prepaid expenses, and other assets not specifically identified as an admitted asset within the *Accounting Practices and Procedures Manual*, are excluded from the accompanying statements of admitted assets, liabilities, and capital and surplus and are charged directly to unassigned surplus. Under GAAP, such assets would be included in the balance sheet at net realizable values.
- Cash in the statements of cash flows includes cash, cash equivalents, and short-term investments with remaining maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents would include initial maturities of three months or less.
- Investments in real estate are reported net of related obligations rather than on a gross basis as would be required under GAAP. Real estate owned and occupied by the Company is included in investments rather than reported as an operating asset as would be required under GAAP, and investment income and operating expenses include rent for the Company's occupancy of those properties.
- Revenues are recorded based on premiums earned for life policies and annuity contracts with mortality or morbidity risk. Benefits incurred consist of death benefits paid and the change in policy reserves. Premiums received for annuity policies without mortality or morbidity risk are recorded using deposit accounting and credited to the appropriate policy reserve account without recognizing premium income. Under GAAP, premiums received in excess of policy fees and charges would not be recognized as premium revenue and benefits incurred would equal the excess of benefits paid over the policy account value and interest credited to the account values.
- The costs of acquiring and renewing business are expensed when incurred. Under GAAP, such costs, to the extent recoverable, would be deferred and amortized over the effective period of the related insurance policies.
- Policy and contract liabilities ceded to reinsurers have been reported as reductions of the related reserves rather than as assets, as would be required under GAAP. Commissions and expense allowances from reinsurers on business ceded are reported as income when earned rather than being deferred and amortized with deferred policy acquisition costs as required under GAAP.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

- Certain policy reserves for statutory reporting are calculated based on statutorily required interest and mortality assumptions rather than on estimated expected experience or actual account balances as would be required under GAAP.
- Changes in deferred income taxes are recorded directly to capital and surplus as opposed to being an item of income taxes incurred or recoverable for GAAP financial reporting purposes. Admittance testing may result in a charge to capital and surplus for non-admitted portions of deferred tax assets. Deferred income taxes do not include amounts for state income taxes. Under GAAP, state income taxes would be included in the computation of deferred income taxes.
- The asset valuation reserve (AVR) is a statutorily required valuation allowance for invested assets. The AVR is determined by an NAIC-prescribed formula with changes reflected directly to unassigned surplus or deficit. AVR is not recognized for GAAP.
- Under a formula prescribed by the NAIC, the Company defers the portion of realized capital gains and losses, net of assumed federal income tax, on sales of fixed-income investments, principally bonds, attributable to changes in the general level of interest rates and amortizes those deferrals over the remaining period to maturity based on groupings of individual securities sold in five-year bands. That net deferral is reported as the interest maintenance reserve (IMR) in the accompanying statements of admitted assets, liabilities, and capital and surplus. Realized capital gains and losses are reported in income net of federal income tax and transfers to the IMR. Under GAAP, realized capital gains and losses would be reported in the statement of operations on a pretax basis in the period that the assets giving rise to the gains or losses are sold.
- Certain other reported amounts are classified or presented differently in the financial statements prepared on the basis of SAP than they would be under GAAP. Statutory requirements require that the financial statements of the Company be filed with state regulatory authorities. Accordingly, the financial statements are presented in a format similar to the filed annual statement, which differs from the format of financial statements presented under GAAP. Required statutory disclosures that are not applicable to the Company are not included in the notes to these statutory financial statements.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Other significant accounting practices are as follows:

Recognition of Premium Revenue

Life and accident and health premiums and annuity considerations for contracts with mortality or morbidity risk are recognized as revenue when due. Considerations received for annuity contracts without mortality or morbidity risk are recorded using deposit accounting.

Cash and Cash Equivalents

Cash and cash equivalents include cash or demand deposits with several financial institutions and deposits in highly liquid money market securities with original maturities of three months or less.

Investments

Investments are recorded at admitted asset values as prescribed by the valuation procedures of the NAIC's Securities Valuation Office (SVO). The valuation technique used to measure fair value (market value) is to obtain the published securities' fair value from the SVO publication, *Valuation of Securities*, from a registered U.S. exchange, or using other valuation guidelines as specified by the SVO.

Bonds not backed by other loans are stated at amortized cost using the interest method. Loan-backed bonds and structured securities are stated at amortized cost using the interest method including anticipated prepayments at the date of purchase.

Common stocks are reported at market value and the related net unrealized capital gains (losses) are reported in unassigned surplus. Preferred stocks are reported at cost.

Short-term investments include investments with original maturities of one year or less from the time of acquisition and are principally stated at amortized cost.

Realized capital gains and losses are determined using the specific identification basis. Changes in admitted asset carrying amounts of investments are credited or charged directly to unassigned surplus.

Properties occupied by the Company and properties held for the production of income are stated at cost plus improvements less accumulated depreciation and encumbrances (adjusted book value). Properties with a fair value less than adjusted book value are stated at fair value. The difference between the fair value and the adjusted book value is nonadmitted. Properties that are not occupied by the Company and are not held for the production of income are nonadmitted.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

1. Summary of Significant Accounting Policies (continued)

Investments (continued)

Policy loans are reported at unpaid principal balances plus capitalized interest. The portion of capitalized interest not yet earned is recorded as unearned investment income.

Fair Value of Financial Instruments

The fair value of financial instruments represents estimates of fair values at a specific point in time determined by the Company using available market information and appropriate valuation methodologies. These estimates are subjective in nature and involve uncertainties and significant judgment in the interpretation of current market data. Therefore, the fair values presented are not necessarily indicative of amounts the Company could realize or settle currently.

The level in the fair value hierarchy within which fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the hierarchy are as follows:

- Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date.
- Level 2: Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability at the measurement date.

Concentration of Credit Risk

The Company's exposure to concentrations of credit risk consists primarily of its cash and cash equivalents, investments, and premium revenue. The Company maintains its cash and cash equivalents at financial institutions. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Bank deposit accounts, at times, may exceed federally-insured limits. The Company has not experienced any losses in such accounts.

All investment transactions have credit exposure to the extent that a counterparty may default on an obligation to the Company. Credit risk is a consequence of carrying investment positions. To manage credit risk, the Company focuses primarily on fixed income securities rated A or higher, reviews the credit strength of all entities in which it invests, limits its exposure in any one investment, and monitors portfolio quality, taking into account credit ratings assigned by recognized credit rating organizations.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

1. Summary of Significant Accounting Policies (continued)

Policy Benefit Reserves

Life, annuity, and accident and health policy benefit reserves are developed using actuarial models and are determined based on published tables using statutorily specified interest rates and valuation methods that will provide, in the aggregate, reserves that are greater than or equal to the minimum or guaranteed policy cash values or the amounts required to be reserved by the state. The Company waives deduction of deferred fractional premiums on the death of life and annuity policy insureds and does not return any portion of the final premium beyond the date of death. Surrender values on policies do not exceed the corresponding benefit reserves. Policies issued for substandard lives are charged an extra premium according to underwriting classifications.

The mean reserve method is used to adjust the calculated terminal reserve to the appropriate reserve at the end of each reporting period. Mean reserves are determined by computing the regular mean reserve for the plan at the rated age and holding the entire extra premium charged for the year. An asset is recorded for deferred premiums, net of loading, to adjust the reserve for modal premium payments.

As of December 31, 2015, reserves of \$295,678 were recorded on in-force amounts of \$30,256,120 for which gross premiums are less than the net premiums on in-force life policies according to the standard of valuation required by the state of Alabama. As of December 31, 2014, reserves of \$327,590 were recorded on in-force amounts of \$31,543,556 for which gross premiums are less than the net premiums on in-force life policies according to the standard of valuation required by the state of Alabama. The Company anticipates investment income as a factor in the premium deficiency calculation.

Tabular interest, tabular interest less actual reserves released, and tabular cost have been determined by formulas as described by the NAIC instructions for the 2015 Annual Statement. For determination of tabular interest on funds not involving life contingencies, the tabular interest is calculated on the guaranteed rate times the mean of the amount of funds subject to such valuation rate of interest held at the beginning and end of the year of valuation.

The liabilities related to policyholder funds left on deposit with the Company generally are equal to fund balances less applicable surrender charges.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

1. Summary of Significant Accounting Policies (continued)

Claims and Claims Adjustment Expenses

Total unpaid claims and claim adjustment expenses on life and accident and health policies represent management's best estimate of the ultimate net cost of all reported and unreported claims incurred and unpaid at the end of each reporting period. Reserves for unpaid claims and claim adjustment expenses are estimated by the Company's valuation actuary using statistical claim development models to develop best estimates of liabilities for medical expense business and using tabular reserves employing mortality/morbidity tables and discount rates specified by regulatory authorities for disability income business. Those estimates are subject to the effects of trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid claims and claim adjustment expenses are adequate. The estimates are continually reviewed and adjusted as experience develops or new information becomes known; such adjustments are included in current operations.

Policyholder Dividends

The Company accounts for its policyholder dividends on an accrual basis consistent with SSAP No. 51, *Life Contracts*. For the years ended December 31, 2015 and 2014, premiums on life and annuity participating policies were 0.45% and 0.50%, respectively, of total life and annuity premiums. The Company paid dividends and coupons of \$20,765 and \$22,619 for the years ended December 31, 2015 and 2014, respectively.

Reinsurance

Reinsurance premiums and benefits paid or provided are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

Electronic Data Processing (EDP) Equipment

The admitted value of the Company's EDP equipment and operating system software is limited to 3% of capital and surplus adjusted to exclude EDP equipment and operating system software, net deferred tax assets, and net positive goodwill. The admitted portion is reported at cost, less accumulated depreciation of \$352,362 and \$279,593 at December 31, 2015 and 2014, respectively. EDP equipment is depreciated using the straight line method over the lesser of its useful life or three years. Depreciation expense charged to operations was \$146,963 and \$126,624 in 2015 and 2014, respectively.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

1. Summary of Significant Accounting Policies (continued)

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in surplus in the period that includes the enactment date.

The admissibility of the Company's gross deferred tax assets is based on the provisions of Statement of Statutory Accounting Principles (SSAP) No. 101 as discussed further in Note 9.

Subsequent Events

The Company has evaluated subsequent events through May 25, 2016, the date the financial statements were available to be issued. During the period from December 31, 2015 to May 25, 2016, the Company did not have any material recognizable subsequent events.

Use of Estimates

The preparation of statutory basis financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the statutory basis financial statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and described in the financial statements.

2. Regulatory Requirements

Alabama statutes require the Company to maintain minimum capital and surplus of \$800,000 and to meet the risk-based capital requirements as discussed in Note 10. The Company is in compliance with these requirements.

Additionally, the Company is required to maintain deposits pursuant to state statutes in the states in which it writes business to help secure the payment of claims. Cash and securities with book adjusted carrying values of \$2,987,248 and \$2,991,037 at December 31, 2015 and 2014, respectively, have been assigned to satisfy these requirements. These amounts are included in total cash and invested assets in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus at December 31, 2015 and 2014.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

3. Investments

The aggregate carrying value (amortized cost) and fair value of bonds are as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
December 31, 2015				
Bonds:				
U.S. government and government agencies	\$ 765,132	\$ 179,872	\$ -	\$ 945,004
Special revenue and assessment obligations	5,163,197	315,424	(29,055)	5,449,566
Industrial and miscellaneous	<u>92,768,044</u>	<u>1,026,921</u>	<u>(8,989,967)</u>	<u>84,804,998</u>
Total bonds	98,696,373	1,522,217	(9,019,022)	91,199,568
Preferred stocks	19,150	-	(2,656)	16,494
Common stocks	<u>3,816,204</u>	<u>686,076</u>	<u>(255,106)</u>	<u>4,247,174</u>
Total	<u>\$ 102,531,727</u>	<u>\$ 2,208,293</u>	<u>\$ (9,276,784)</u>	<u>\$ 95,463,236</u>
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
December 31, 2014				
Bonds:				
U.S. government and government agencies	\$ 764,310	\$ 212,771	\$ -	\$ 977,081
States, territories, and possessions	2,049,703	200,537	-	2,250,240
Political subdivisions of states, territories, and possessions	7,256,685	244,047	(4,547)	7,496,185
Special revenue and assessment obligations	35,497,702	1,585,170	(96,924)	36,985,948
Industrial and miscellaneous	<u>48,346,273</u>	<u>2,060,584</u>	<u>(1,047,757)</u>	<u>49,359,100</u>
Total bonds	93,914,673	4,303,109	(1,149,228)	97,068,554
Preferred stocks	19,150	-	(1,573)	17,577
Common stocks	<u>3,787,652</u>	<u>1,590,439</u>	<u>(158,629)</u>	<u>5,219,462</u>
Total	<u>\$ 97,721,475</u>	<u>\$ 5,893,548</u>	<u>\$ (1,309,430)</u>	<u>\$ 102,305,593</u>

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

3. Investments (continued)

The following tables show the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2015 and 2014.

	Less Than 12 Months			12 Months or Greater			Total		
	No.	Fair Value	Unrealized Losses	No.	Fair Value	Unrealized Losses	No.	Fair Value	Unrealized Losses
December 31, 2015									
Special revenue and assessment obligations	-	\$ -	\$ -	2	\$ 579,678	\$ (29,055)	2	\$ 579,678	\$ (29,055)
Industrial and miscellaneous	77	55,514,319	(6,514,882)	15	9,543,396	(2,475,085)	92	65,057,715	(8,989,967)
Preferred stocks	-	-	-	1	16,494	(2,656)	1	16,494	(2,656)
Common stocks	<u>134</u>	<u>1,270,193</u>	<u>(165,728)</u>	<u>37</u>	<u>207,029</u>	<u>(89,378)</u>	<u>171</u>	<u>1,477,222</u>	<u>(255,106)</u>
Total	<u>211</u>	<u>\$ 56,784,512</u>	<u>\$ (6,680,610)</u>	<u>55</u>	<u>\$ 10,346,597</u>	<u>\$ (2,596,174)</u>	<u>266</u>	<u>\$ 67,131,109</u>	<u>\$ (9,276,784)</u>

	Less Than 12 Months			12 Months or Greater			Total		
	No.	Fair Value	Unrealized Losses	No.	Fair Value	Unrealized Losses	No.	Fair Value	Unrealized Losses
December 31, 2014									
Political subdivisions of states, territories, and possessions	2	\$ 398,692	\$ (4,087)	1	\$ 525,855	\$ (460)	3	\$ 924,547	\$ (4,547)
Special revenue and assessment obligations	10	4,521,524	(35,854)	4	2,689,485	(61,070)	14	7,211,009	(96,924)
Industrial and miscellaneous	23	18,618,034	(683,129)	5	3,166,311	(364,628)	28	21,784,345	(1,047,757)
Preferred stocks	-	-	-	1	17,577	(1,573)	1	17,577	(1,573)
Common stocks	<u>86</u>	<u>821,860</u>	<u>(118,368)</u>	<u>16</u>	<u>63,796</u>	<u>(40,261)</u>	<u>102</u>	<u>885,656</u>	<u>(158,629)</u>
Total	<u>121</u>	<u>\$ 24,360,110</u>	<u>\$ (841,438)</u>	<u>27</u>	<u>\$ 6,463,024</u>	<u>\$ (467,992)</u>	<u>148</u>	<u>\$ 30,823,134</u>	<u>\$ (1,309,430)</u>

Management periodically evaluates investments with unrealized losses to determine if declines in fair value are other than temporary. The general categories of information considered in making that determination include credit ratings of the issuer and the security, market interest rates, coupon rate of the security, and time to maturity.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

3. Investments (continued)

A summary of the aggregate carrying value (amortized cost) and fair value of bonds at December 31, 2015, by expected maturity, is as follows. The expected maturities may differ from the contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	\$ 2,400,661	\$ 2,444,717
Due after one year through five years	4,853,603	5,239,801
Due after five years through ten years	42,725,634	39,582,221
Due after ten years	48,716,475	43,932,829
Total	\$ 98,696,373	\$ 91,199,568

Proceeds from sales or maturities of investments during 2015 and 2014 were approximately \$44,632,000 and \$43,886,000, respectively. There were realized gains of approximately \$2,048,000 and \$5,820,000 in 2015 and 2014, respectively, and realized losses of approximately \$305,000 and \$1,244,000 in 2015 and 2014, respectively.

Realized capital gains are reported net of income taxes, and amounts transferred to the IMR are as follows:

	Years ended December 31,	
	2015	2014
Realized capital gains	\$ 1,711,932	\$ 4,576,613
Amount transferred to IMR (net of related capital gains tax of \$350,766 in 2015 and \$(8,210) in 2014)	(680,897)	(15,933)
Capital gains tax	(582,057)	(1,172,557)
Realized capital gains	\$ 448,978	\$ 3,388,123

Major categories of the Company's net investment income are summarized as follows:

	Years ended December 31,	
	2015	2014
Investment Income:		
Bonds	\$ 4,800,309	\$ 4,081,203
Stocks	105,095	140,038
Real estate rental	95,576	90,560
Policy loans	242,243	231,820
Cash and short-term investments	-	43
Other	82,969	86,522
Total investment income	5,326,192	4,630,186
Investment expenses	(384,918)	(361,603)
Net investment income	\$ 4,941,274	\$ 4,268,583

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

4. Fair Value Measurements

The fair value estimates presented herein are based on unit prices provided by a third-party pricing service at December 31, 2015. Although the Company is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been revalued for purposes of these statutory basis financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

The carrying values of cash, short-term investments, policy loans, premiums receivable, investment income due and accrued, reinsurance balances, accounts payable, and accrued expenses approximate their fair value.

The table below presents the balances of investments measured at fair value.

	December 31, 2015					
	<u>Aggregate Fair Value</u>	<u>Admitted Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Not Practical (Carrying Value)</u>
Bonds	\$ 91,199,568	\$ 98,696,373	\$ 91,199,568	\$ -	\$ -	\$ -
Preferred stocks	16,494	19,150	16,494	-	-	-
Common stocks	4,247,174	4,247,174	4,247,174	-	-	-
Other invested assets	249,750	985,000	249,750	-	-	785,000
	December 31, 2014					
	<u>Aggregate Fair Value</u>	<u>Admitted Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Not Practical (Carrying Value)</u>
Bonds	\$ 97,068,554	\$ 93,914,673	\$ 97,068,554	\$ -	\$ -	\$ -
Preferred stocks	17,577	19,150	17,577	-	-	-
Common stocks	5,219,462	5,219,462	5,219,462	-	-	-
Other invested assets	263,640	1,284,455	263,640	-	-	1,084,455

During 2015, the Company had no event or circumstance change that would cause an instrument to be transferred between Level 1, Level 2 or Level 3.

The table below describes the terms of other invested assets carried at cost whose fair value is not practical to estimate:

<u>Type or Class of Financial Instrument</u>	<u>Carrying Value</u>	<u>Effective Interest Rate</u>	<u>Maturity Date</u>	<u>Explanation</u>
Structured investment vehicle	\$ 785,000	7.75%	03/01/2019	See paragraph below

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

4. Fair Value Measurements (continued)

It is not practical to determine the fair value of the structured investment vehicle for purposes of the above disclosure as it is not traded and therefore a quoted market price is not available. Also, the cost of obtaining an independent appraisal of the fair value appears excessive considering the materiality of the instrument to the Company. This investment is carried at adjusted cost (book value).

The Company has no assets or liabilities measured at fair value in the Level 3 category.

Bonds categorized as Level 2 were valued using a market approach. Valuations were based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities) or can be corroborated by observable market data.

Fair values generally represent quoted market value prices for securities traded in the public marketplace, or analytically determined values using bid or closing prices for securities not traded in the public marketplace.

5. Premium and Annuity Considerations Deferred and Uncollected

Deferred and uncollected life insurance premiums and annuity considerations are:

	<u>Gross</u>	<u>Net</u>	<u>Loading</u>
December 31, 2015			
Ordinary life - first year	\$ 304,293	\$ 57,036	\$ 247,257
Ordinary life - renewal	<u>2,665,799</u>	<u>2,611,996</u>	<u>53,803</u>
Total	<u>\$ 2,970,092</u>	<u>2,669,032</u>	<u>\$ 301,060</u>
Plus uncollected accident and health		<u>312,006</u>	
Premiums due, deferred, and uncollected		<u>\$ 2,981,038</u>	
	<u>Gross</u>	<u>Net</u>	<u>Loading</u>
December 31, 2014			
Ordinary life - first year	\$ 266,802	\$ 51,220	\$ 215,582
Ordinary life - renewal	<u>2,436,728</u>	<u>2,393,153</u>	<u>43,575</u>
Total	<u>\$ 2,703,530</u>	<u>2,444,373</u>	<u>\$ 259,157</u>
Plus uncollected accident and health		<u>404,118</u>	
Premiums due, deferred, and uncollected		<u>\$ 2,848,491</u>	

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

6. Liability for Claims and Claim Adjustment Expenses

The following table provides a reconciliation of the beginning and ending balances of unpaid accident and health claim liabilities, net of reinsurance recoverables:

	December 31,	
	2015	2014
	<i>(in thousands)</i>	
Unpaid claims and claim adjustment expenses at beginning of year	\$ 27,990	\$ 28,177
Incurred claims and claim adjustment expenses related to:		
Current year	17,238	16,946
Prior years	<u>(858)</u>	<u>(1,829)</u>
	16,380	15,117
Claims and claim adjustment expenses paid related to:		
Current year	13,020	11,773
Prior years	<u>3,834</u>	<u>3,531</u>
	<u>16,854</u>	<u>15,304</u>
Unpaid claims and claim adjustment expenses at end of the year	<u>\$ 27,516</u>	<u>\$ 27,990</u>

The foregoing reconciliation reflects a deficiency (redundancy) in the net reserves at December 31, 2015 and 2014, of approximately \$(858,000) and \$(1,829,000), respectively. The differences in those reserves were the result of differences in actual and assumed mortality and morbidity assumptions.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

7. Annuity Reserves

The Company's annuity reserves and deposit fund liabilities that are subject to discretionary withdrawal with adjustment, subject to discretionary withdrawal without adjustment, and not subject to discretionary withdrawal provisions are summarized as follows:

	December 31,			
	2015		2014	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Subject to discretionary withdrawal with adjustment:				
At book value less surrender charge	\$ 3,022,276	100 %	\$ 3,101,658	100 %
Subject to discretionary withdrawal without adjustment:				
At book value (minimal or no surrender charge)	-	- %	-	- %
Not subject to discretionary withdrawal	-	- %	-	- %
Total annuity actuarial reserves and deposit fund liabilities (gross)	<u>3,022,276</u>	<u>100 %</u>	3,101,658	<u>100 %</u>
Less reinsurance	-		-	
Total annuity actuarial reserves and deposit fund liabilities (net)	<u>\$ 3,022,276</u>		<u>\$ 3,101,658</u>	
Net annuity actuarial reserves	\$ 1,674,950		\$ 1,776,532	
Net deposit fund liabilities	<u>1,347,326</u>		<u>1,325,126</u>	
	<u>\$ 3,022,276</u>		<u>\$ 3,101,658</u>	

8. Reinsurance

The Company assumes risks and reinsures certain parts of its risks with other insurers under yearly renewable term, disability, coinsurance, and modified coinsurance agreements. All agreements contain acceptable insolvency and arbitration provisions and provide for continuous reinsurance coverage subject to written notice of cancellation as specified in the respective agreements.

The Company's reinsured risks are treated, to the extent of reinsurance, as though they are risks for which the Company is not liable. However, the Company remains contingently liable in the event the reinsuring companies do not meet their obligations under these reinsurance contracts. Given the quality of the reinsuring companies, management believes this possibility to be remote.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

8. Reinsurance (continued)

None of the Company's reinsurers are owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the Company. None of the policies issued by the Company have been reinsured with a company chartered in a country other than the United States of America. The Company does not have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits. At December 31, 2015 and 2014, the Company did not have any reinsurance agreements in effect such that the amount of losses paid or accrued would result in a payment to the reinsurer of amounts that would exceed the total direct premium collected under the reinsured policies. At December 31, 2015 and 2014, there was no impact on surplus for cancellation of reinsurance agreements.

9. Income Taxes

Income before federal income taxes differs from taxable income principally due to differences in claim and claim adjustment expense reserves and policy acquisition costs for tax and statutory basis financial reporting purposes.

A. The components of net deferred tax assets (DTAs) and deferred tax liabilities (DTLs) at December 31 are as follows:

(in thousands)

	2015			2014			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	\$ 4,429	\$ -	\$ 4,429	\$ 4,466	\$ -	\$ 4,466	\$ (37)	\$ -	\$ (37)
Statutory valuation allowance adjustments	5	-	5	6	-	6	(1)	-	(1)
Adjusted gross deferred tax assets	4,424	-	4,424	4,460	-	4,460	(36)	-	(36)
Deferred tax assets nonadmitted	1,803	-	1,803	1,606	-	1,606	197	-	197
Subtotal net admitted deferred tax assets	2,621	-	2,621	2,854	-	2,854	(233)	-	(233)
Deferred tax liabilities	1,163	-	1,163	1,484	-	1,484	(321)	-	(321)
Net admitted deferred tax assets/(net deferred tax liabilities)	\$ 1,458	\$ -	\$ 1,458	\$ 1,370	\$ -	\$ 1,370	\$ 88	\$ -	\$ 88

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

9. Income Taxes (continued)

The amount of each result or component of the calculation, by tax character, of paragraphs 11.a., 11.b., and 11.c. of SSAP No. 101 are as follows:

(in thousands)

	2015			2014			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 1,458	\$ -	\$ 1,458	\$ 1,370	\$ -	\$ 1,370	\$ 88	\$ -	\$ 88
Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets above) after application of the threshold limitation. (the lesser of 1 and 2 below)	-	-	-	-	-	-	-	-	-
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	-	-	-	-	-	-	-	-	-
2. Adjusted gross deferred tax assets allowed per limitation threshold			5,583			5,360			223
Adjusted gross deferred tax assets (excluding the amount of deferred tax assets above) offset by gross deferred tax liabilities	<u>1,163</u>	<u>-</u>	<u>1,163</u>	<u>1,484</u>	<u>-</u>	<u>1,484</u>	<u>(321)</u>	<u>-</u>	<u>(321)</u>
Deferred tax assets admitted as the result of application of SSAP No. 101	<u>\$ 2,621</u>	<u>\$ -</u>	<u>\$ 2,621</u>	<u>\$ 2,854</u>	<u>\$ -</u>	<u>\$ 2,854</u>	<u>\$ (233)</u>	<u>\$ -</u>	<u>\$ (233)</u>

The ExDTA RBC ACL ratio utilized in paragraph 11.b. of SSAP No. 101 is as follows:

	2015	2014
Ratio percentage used to determine recovery period and threshold limitation amount	1,874.00 %	1,732.00 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2 above	\$ 37,135,215	\$ 35,730,730

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

9. Income Taxes (continued)

The impact of tax planning strategies utilized in determining the net admitted deferred tax asset is as follows:

	2015			2014			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Adjusted gross DTAs (% of total adjusted gross DTAs)	- %	- %	- %	- %	- %	- %	- %	- %	- %
Net admitted adjusted gross DTAs (% of total net admitted adjusted gross DTAs)	- %	- %	- %	- %	- %	- %	- %	- %	- %

The Company's tax-planning strategies did not include the use of reinsurance-related tax planning strategies.

B. Unrecognized DTLs:

Not applicable.

C. Current tax and change in deferred tax:

The provision for income taxes incurred on earnings for the years ended December 31 is:

(in thousands)

	2015	2014	Change
Federal income taxes incurred	\$ 145	\$ 1,018	\$ (873)
Foreign income taxes incurred	-	-	-
Subtotal	145	1,018	(873)
Federal income tax on net capital gains	231	1,181	(950)
Federal and foreign income taxes incurred	\$ 376	\$ 2,199	\$ (1,823)

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

9. Income Taxes (continued)

The tax effect of temporary differences that give rise to significant deferred tax assets and deferred tax liabilities is as follows:

(in thousands)

	December 31,		
	2015	2014	Change
Deferred Tax Assets			
Ordinary:			
Reserves	\$ 1,598	\$ 1,514	\$ 84
Deferred policy acquisition expense	2,432	2,469	(37)
Unearned investment income	110	130	(20)
Non-admitted assets	277	316	(39)
Discount of unpaid losses	-	30	(30)
Policyholder dividends	7	7	-
Other	5	-	5
Subtotal	4,429	4,466	(37)
Statutory valuation allowance adjustment	5	6	(1)
Nonadmitted deferred tax assets	1,803	1,606	197
Admitted ordinary deferred tax assets	2,621	2,854	(233)
Capital:			
Admitted capital deferred tax assets	-	-	-
Total admitted deferred tax assets	2,621	2,854	(233)
Deferred Tax Liabilities			
Ordinary:			
Investments	146	486	(340)
Dividend income accrual	3	6	(3)
Fixed assets	-	24	(24)
Deferred and uncollected premium	1,014	968	46
Ordinary deferred tax liabilities	1,163	1,484	(321)
Capital:			
Capital deferred tax liabilities	-	-	-
Total deferred tax liabilities	1,163	1,484	(321)
Net deferred tax assets (liabilities)	\$ 1,458	\$ 1,370	\$ 88

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

9. Income Taxes (continued)

D. Reconciliation of federal income tax rate to actual effective rate:

The significant items causing a difference between the statutory federal income tax rate and the Company's effective income tax rate are as follows:

(in thousands)

	2015	Percentage of Pre-Tax Income
Provision computed at statutory rate	\$ 1,092	34.00 %
Small company deduction	(552)	(17.20)
Tax-exempt interest	(260)	(8.10)
Dividends received deduction	(10)	(0.30)
IMR operating income	(45)	(1.40)
Other	(134)	(4.17)
Total	\$ 91	2.83 %
Federal and foreign income taxes incurred	\$ 145	4.50 %
Realized capital gains (losses) tax	231	7.20
Change in net deferred income taxes	(285)	(8.87)
Statutory income taxes	\$ 91	2.83 %

E. Operating loss and tax credit carryforwards and protective tax deposits:

1. At December 31, 2015 and 2014, the Company had no unused capital or net operating loss carryforwards available to offset against future taxable income.
2. The following is income tax expense that is available for recoupment in the event of future net losses:

Year	Amount
2015	\$ 869,981
2014	2,136,703
2013	526,693

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

9. Income Taxes (continued)

3. The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

F. Consolidated federal income tax return:

The Company is not part of a consolidated group and files its return on a separate return basis.

G. Federal or foreign income tax loss contingencies:

The Company has no tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

With few exceptions, the Company is no longer subject to examinations by major tax jurisdictions for years ended December 31, 2011, and prior.

10. Capital and Surplus

The Company has two classes of common stock: Common (\$5 par) and Class A Common (\$1 par). Each class is fully participating on a pro rata basis according to par value. The Common (\$5 par) has one vote per share on all matters to come before the shareholders meetings. The Class A Common (\$1 par) has a one-fifth vote per share on (1) the disposition of the entire properties of the Company, (2) the consolidation and merger of the Company, and (3) the dissolution of the Company.

The Company has authorized 100,000 shares of Common (\$5 par) stock, of which 100,000 shares are issued and 87,553 shares are outstanding at December 31, 2015 and 2014. The Company has authorized 1,500,000 shares of Class A Common (\$1 par) stock, of which 1,000,000 shares are issued and 595,173 shares are outstanding at December 31, 2015 and 2014. No other classes of common or preferred stock were issued during 2015 or 2014.

At December 31, 2015 and 2014, treasury stock consists of 12,447 shares of Common (\$5 par) stock at a cost of \$244,521 and 404,827 shares of Class A Common (\$1 par) stock at a cost of \$473,845.

The Company is subject to certain risk-based capital (RBC) requirements as specified by the NAIC. Under those requirements, the amount of capital and surplus maintained by a life and/or accident and health insurance company is to be determined based on various risk factors related to the Company. The Company is in compliance with the RBC requirements at December 31, 2015 and 2014.

Dividends on Company stock are paid as declared by its Board of Directors. Ordinary cash dividends declared and paid in 2015 and 2014 totaled \$2.25 and \$1.05, respectively, per share on Common (\$5 par) stock and \$0.45 and \$0.21, respectively, per share on Class A Common (\$1 par) stock. Total dividends paid in 2015 and 2014 were \$464,822 and \$216,917, respectively.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

10. Capital and Surplus (continued)

Under applicable insurance laws and regulations, cash dividends paid in any year may not exceed the greater of 10% of statutory surplus as of the end of the preceding year or the statutory net gain from operations for the preceding year (exclusive of realized capital gains or losses) without prior approval of regulatory authorities. At December 31, 2015, the amount unrestricted for the payment of dividends in 2016 totaled \$2,543,727.

At December 31, 2015 and 2014, a portion of unassigned surplus was represented or reduced by each of the following items:

	December 31,	
	2015	2014
Net unrealized gains	\$ 429,970	\$ 1,430,810
Nonadmitted assets	(2,618,138)	(2,533,981)
Net deferred income tax	3,261,301	2,976,093
Asset valuation reserve	(1,778,990)	(1,695,900)

11. Related Party Transactions

The Company is directly or indirectly owned by individuals as reported in Schedule Y of the Annual Statement. The Company paid dividends directly to its shareholders as discussed in Note 10.

The Company is the 100% owner of LICOA Brokerage Services (LBS) and reported no dividend income from LBS in 2015 or 2014. The Company had no transactions with LBS that involved as much as ½ of 1% of the Company's total admitted assets. The Company nonadmits the amount of its investment in LBS.

12. Commitments and Contingencies

The Company is involved in various litigation arising in the ordinary course of business. While the Company's management believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the Company's statutory financial statements, litigation is subject to inherent uncertainties. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on the results of operations for the period in which the ruling occurs.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

13. Employee Benefits

The Company has a 401(k) Savings and Profit Sharing Plan (the Plan) for the benefit of essentially all employees. Under the terms of the Plan, participating employees may contribute to the Plan. Effective January 1, 2006, the Company added a Safe Harbor provision to the Plan. The Company contributes 3% of each employee's annual salary into a Safe Harbor account. For employee contributions over 3% of the employee's annual salary and not to exceed 6%, the Company matches 75% of that contribution made by the employee. The Company also makes annual contributions to the Plan, based on statutory underwriting results. Total contributions made by the Company during 2015 and 2014 were \$381,202 and \$392,055, respectively.

Other Financial Information

Supplemental Schedule of Selected Statutory Basis Financial Data

	Years ended December 31,	
	2015	2014
Investment income earned:		
Government bonds	\$ 34,012	\$ 34,041
Bonds exempt from U.S. tax	577,130	1,676,034
Other bonds (unaffiliated)	4,189,167	2,371,128
Preferred stocks (unaffiliated)	805	1,024
Common stocks (unaffiliated)	104,290	139,014
Common stocks (affiliated)	-	-
Real estate	95,576	90,560
Contract loans	242,243	231,820
Cash and short-term investments	-	43
Other invested assets	81,811	83,120
Other	1,158	3,402
Gross investment income	<u>\$ 5,326,192</u>	<u>\$ 4,630,186</u>
Real estate owned - book value	<u>\$ 722,647</u>	<u>\$ 610,014</u>
Mortgage loans - book value		
Residential mortgages	<u>\$ -</u>	<u>\$ -</u>
Mortgage loans by standing - book value		
Good standing	<u>\$ -</u>	<u>\$ -</u>
Stocks of parents, subsidiaries, and affiliates (book value)	<u>\$ -</u>	<u>\$ -</u>
Bonds and short-term investments by class and maturity		
Bonds by maturity - statement value:		
Due in one year or less	\$ 2,400,661	\$ -
Due after one year through five years	4,853,603	5,777,095
Due after five years through ten years	42,725,634	25,897,696
Due after ten years through twenty years	41,061,884	48,261,899
Due after twenty years	7,654,591	13,977,983
	<u>\$ 98,696,373</u>	<u>\$ 93,914,673</u>

(continued)

Life Insurance Company of Alabama

Supplemental Schedule of Selected Statutory Basis Financial Data (continued)

	Years ended December 31,	
	2015	2014
Bonds and short-term investments by class and maturity (continued)		
Bonds by class - statement value		
Class 1	\$ 12,044,973	\$ 46,679,829
Class 2	77,813,511	41,914,493
Class 3	6,101,826	4,991,178
Class 4	1,518,392	203,923
Class 5	1,092,421	-
Class 6	125,250	125,250
	<u>\$ 98,696,373</u>	<u>\$ 93,914,673</u>
Total bonds publicly traded	<u>\$ 98,196,373</u>	<u>\$ 93,914,673</u>
Total bonds privately placed	<u>\$ 500,000</u>	<u>\$ -</u>
Preferred stocks - statement value	<u>\$ 19,150</u>	<u>\$ 19,150</u>
Common stocks - market value	<u>\$ 4,247,174</u>	<u>\$ 5,219,462</u>
Short-term investments - book value	<u>\$ -</u>	<u>\$ -</u>
Financial options owned - statement value	<u>\$ -</u>	<u>\$ -</u>
Cash on deposit	<u>\$ (7,044)</u>	<u>\$ 689,877</u>
Life insurance in force		
Ordinary	<u>\$ 627,872,000</u>	<u>\$ 618,262,000</u>
Credit life	<u>\$ -</u>	<u>\$ -</u>
Group life	<u>\$ 1,185,628,000</u>	<u>\$ 1,216,140,000</u>
Amount of accidental death insurance in force under ordinary policies	<u>\$ 44,637,000</u>	<u>\$ 43,533,000</u>
Life insurance policies with disability provisions in force		
Ordinary	<u>\$ 43,046,000</u>	<u>\$ 40,080,000</u>
Supplementary contracts in force		
Ordinary - not involving life companies		
Amount on deposit	<u>\$ 237,057</u>	<u>\$ 226,522</u>
Income payable	<u>\$ -</u>	<u>\$ -</u>

(continued)

Life Insurance Company of Alabama

Supplemental Schedule of Selected Statutory Basis Financial Data (continued)

	Years ended December 31,	
	2015	2014
Supplementary contracts in force - continued		
Ordinary - involving life contingencies		
Amount on deposit	\$ -	\$ -
Income payable	\$ -	\$ -
Annuities		
Ordinary		
Immediate - amount of income payable	\$ 21,604	\$ 26,160
Deferred - not fully paid - account balance	\$ 1,305,163	\$ 1,361,708
Accident and health insurance - premiums in force		
Ordinary	\$ 27,275,044	\$ 28,653,343
Group	\$ 2,628,623	\$ 2,671,294
Credit	\$ -	\$ -
Deposit funds and dividend accumulations		
Deposit funds - account balance	\$ 22,948	\$ 21,941
Dividend accumulations - account balance	\$ 1,087,321	\$ 1,076,663

See report of independent auditors.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1 Amount	2 Percentage	3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage
1. Bonds:						
1.1 U.S. treasury securities.....	765,132	0.7	765,132		765,132	0.7
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies.....		0.0			0	0.0
1.22 Issued by U.S. government sponsored agencies.....	4,661,771	4.3	4,661,771		4,661,771	4.3
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities).....		0.0			0	0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:						
1.41 States, territories and possessions general obligations.....		0.0			0	0.0
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations.....		0.0			0	0.0
1.43 Revenue and assessment obligations.....	501,426	0.5	501,426		501,426	0.5
1.44 Industrial development and similar obligations.....		0.0			0	0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA.....		0.0			0	0.0
1.512 Issued or guaranteed by FNMA and FHLMC.....		0.0			0	0.0
1.513 All other.....		0.0			0	0.0
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA.....		0.0			0	0.0
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-based securities issued or guaranteed by agencies shown in Line 1.521.....		0.0			0	0.0
1.523 All other.....		0.0			0	0.0
2. Other debt and other fixed income securities (excluding short-term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities).....	81,549,499	75.1	81,549,499		81,549,499	75.1
2.2 Unaffiliated non-U.S. securities (including Canada).....	11,218,545	10.3	11,218,545		11,218,545	10.3
2.3 Affiliated securities.....		0.0			0	0.0
3. Equity interests:						
3.1 Investments in mutual funds.....		0.0			0	0.0
3.2 Preferred stocks:						
3.21 Affiliated.....		0.0			0	0.0
3.22 Unaffiliated.....	19,150	0.0	19,150		19,150	0.0
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated.....		0.0			0	0.0
3.32 Unaffiliated.....	4,247,174	3.9	4,247,174		4,247,174	3.9
3.4 Other equity securities:						
3.41 Affiliated.....		0.0			0	0.0
3.42 Unaffiliated.....		0.0			0	0.0
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated.....		0.0			0	0.0
3.52 Unaffiliated.....		0.0			0	0.0
4. Mortgage loans:						
4.1 Construction and land development.....		0.0			0	0.0
4.2 Agricultural.....		0.0			0	0.0
4.3 Single family residential properties.....		0.0			0	0.0
4.4 Multifamily residential properties.....		0.0			0	0.0
4.5 Commercial loans.....		0.0			0	0.0
4.6 Mezzanine real estate loans.....		0.0			0	0.0
5. Real estate investments:						
5.1 Property occupied by company.....	592,781	0.5	588,994		588,994	0.5
5.2 Property held for production of income (including \$.....0 of property acquired in satisfaction of debt).....	129,866	0.1	92,657		92,657	0.1
5.3 Property held for sale (including \$.....0 property acquired in satisfaction of debt).....		0.0			0	0.0
6. Contract loans.....	3,485,737	3.2	3,485,737		3,485,737	3.2
7. Derivatives.....		0.0			0	0.0
8. Receivables for securities.....		0.0			0	0.0
9. Securities lending (Line 10, Asset Page reinvested collateral).....		0.0		XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments.....	411,448	0.4	411,448		411,448	0.4
11. Other invested assets.....	985,000	0.9	985,000		985,000	0.9
12. Total invested assets.....	108,567,529	100.0	108,526,533	0	108,526,533	100.0

See report of independent auditors.



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2015

(To be filed by April 1)

Of Life Insurance Company of Alabama

Address (City, State, Zip Code): Gadsden AL 35901

NAIC Group Code.....0000

NAIC Company Code.....65412

Employer's ID Number....63-0321291

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. \$.....116,623,020

2. Ten largest exposures to a single issuer/borrower/investment.

	1	2	3	4
	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	LIBERTY MUT INS CO.....	D P1.....	\$.....2,543,619	.....2.181 %
2.02	JEFFERIES GROUP INC NEW.....	D P1.....	\$.....2,316,883	.....1.987 %
2.03	SCOTTRADE FINL SVCS INC.....	D P1.....	\$.....2,176,082	.....1.866 %
2.04	WELLS FARGO CO.....	D P1.....	\$.....2,144,398	.....1.839 %
2.05	WESTERN UN CO.....	D P1.....	\$.....2,085,380	.....1.788 %
2.06	EVEREST REINS HLDGS INC.....	D P1.....	\$.....2,065,657	.....1.771 %
2.07	ASSURED GTY US HLDGS INC.....	D P1.....	\$.....2,063,438	.....1.769 %
2.08	KLA-TENCOR CORP.....	D P1.....	\$.....2,061,001	.....1.767 %
2.09	SELECTIVE INS GROUP INC.....	D P1.....	\$.....2,051,073	.....1.759 %
2.10	PRUDENTIAL FINL INC.....	D P1.....	\$.....2,050,044	.....1.758 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	1	2	
	Bonds	Preferred Stocks	
3.01	NAIC-1.....	\$.....12,463,465	.....10.687 %
3.02	NAIC-2.....	\$.....77,813,511	.....66.722 %
3.03	NAIC-3.....	\$.....6,101,827	.....5.232 %
3.04	NAIC-4.....	\$.....1,518,392	.....1.302 %
3.05	NAIC-5.....	\$.....1,092,421	.....0.937 %
3.06	NAIC-6.....	\$.....125,250	.....0.107 %
3.07	P/RP-1.....	\$.....19,150	.....0.016 %
3.08	P/RP-2.....	\$.....	.....0.000 %
3.09	P/RP-3.....	\$.....	.....0.000 %
3.10	P/RP-4.....	\$.....	.....0.000 %
3.11	P/RP-5.....	\$.....	.....0.000 %
3.12	P/RP-6.....	\$.....	.....0.000 %

4. Assets held in foreign investments:

4.01	Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?	Yes [] No [X]	
If response to 4.01 above is yes, responses are not required for interrogatories 5-10.			
4.02	Total admitted assets held in foreign investments	\$.....11,044,071	.....9.470 %
4.03	Foreign-currency-denominated investments	\$.....	.....0.000 %
4.04	Insurance liabilities denominated in that same foreign currency	\$.....	.....0.000 %

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

	1	2	
5.01	Countries designated NAIC-1.....	\$.....9,962,140	.....8.542 %
5.02	Countries designated NAIC-2.....	\$.....71,669	.....0.061 %
5.03	Countries designated NAIC-3 or below.....	\$.....1,010,262	.....0.866 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

	1	2	
Countries designated NAIC-1:			
6.01	Country 1: Cayman Islands.....	\$.....5,109,465	.....4.381 %
6.02	Country 2: Bermuda.....	\$.....1,450,163	.....1.243 %
Countries designated NAIC-2:			
6.03	Country 1: Mexico.....	\$.....47,928	.....0.041 %
6.04	Country 2: India.....	\$.....10,041	.....0.009 %
Countries designated NAIC-3 or below:			
6.05	Country 1: Brazil.....	\$.....1,010,262	.....0.866 %
6.06	Country 2: .....	\$.....	.....0.000 %

7. Aggregate unhedged foreign currency exposure..... \$.....0.000 %

8.	Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:	1	2	
8.01	Countries designated NAIC-1.....	\$.....	0.000 %	
8.02	Countries designated NAIC-2.....	\$.....	0.000 %	
8.03	Countries designated NAIC-3 or below.....	\$.....	0.000 %	
9.	Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:			
	Countries designated NAIC-1:	1	2	
9.01	Country 1:	\$.....	0.000 %	
9.02	Country 2:	\$.....	0.000 %	
	Countries designated NAIC-2:			
9.03	Country 1:	\$.....	0.000 %	
9.04	Country 2:	\$.....	0.000 %	
	Countries designated NAIC-3 or below:			
9.05	Country 1:	\$.....	0.000 %	
9.06	Country 2:	\$.....	0.000 %	
10.	Ten largest non-sovereign (i.e. non-governmental) foreign issues:			
		1	2	
	<u>Issuer</u>	<u>NAIC Designation</u>		
			3	4
10.01	SEAGATE HDD CAYMAN.....	2FE.....	\$.....1,846,153	.....1.583 %
10.02	BBV INTL FIN LTD.....	2FE.....	\$.....1,147,650	.....0.984 %
10.03	TRANSOCEAN INC.....	3FE.....	\$.....1,080,473	.....0.926 %
10.04	BPCE GBL NT 144A.....	2FE.....	\$.....1,045,415	.....0.896 %
10.05	EMBRAER.....	2FE.....	\$.....1,010,262	.....0.866 %
10.06	PETROBRAS INTL FIN CO.....	3FE.....	\$.....1,005,312	.....0.862 %
10.07	NOBLE HOLD INT LTD.....	2FE.....	\$.....1,000,000	.....0.857 %
10.08	WEATHERFORD INTL LTD BERMUDA....	3FE.....	\$.....936,930	.....0.803 %
10.09	ENSCO PLD.....	2FE.....	\$.....503,970	.....0.432 %
10.10	ALLIED WORLD ASSURN CO HLDGS.....	2FE.....	\$.....500,000	.....0.429 %
11.	Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:			
11.01	Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?			Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
	If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.			
11.02	Total admitted assets held in Canadian Investments.....	\$.....	0.000 %	
11.03	Canadian currency-denominated investments.....	\$.....	0.000 %	
11.04	Canadian-denominated insurance liabilities.....	\$.....	0.000 %	
11.05	Unhedged Canadian currency exposure.....	\$.....	0.000 %	
12.	Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.			
12.01	Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?			Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
	If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.			
		1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions.....	\$.....	0.000 %	
	Largest three investments with contractual sales restrictions:			
12.03	.....	\$.....	0.000 %	
12.04	.....	\$.....	0.000 %	
12.05	.....	\$.....	0.000 %	
13.	Amounts and percentages of admitted assets held in the ten largest equity interests:			
13.01	Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets?			Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
	If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.			
		1	2	3
	<u>Name of Issuer</u>			
13.02	AMERICAN TOWER CORP NEW.....	\$.....143,486	.....0.123 %	
13.03	VERIZON COMMUNICATIONS INC.....	\$.....112,130	.....0.096 %	
13.04	ALPHABET INC.....	\$.....96,486	.....0.083 %	
13.05	MICROSOFT CORP.....	\$.....94,871	.....0.081 %	
13.06	CROWN CASTLE INTL CORP NEW.....	\$.....90,600	.....0.078 %	
13.07	EXXON MOBIL CORP.....	\$.....88,473	.....0.076 %	
13.08	UNION PAC CORP.....	\$.....87,975	.....0.075 %	
13.09	CISCO SYS INC.....	\$.....84,751	.....0.073 %	
13.10	GENERAL ELECTRIC CO.....	\$.....80,679	.....0.069 %	
13.11	BRISTOL MYERS SQUIBB CO.....	\$.....79,452	.....0.068 %	
14.	Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:			
14.01	Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?			Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
	If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.			
		1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities.....	\$.....	0.000 %	
	Largest three investments held in nonaffiliated, privately placed equities:			
14.03	.....	\$.....	0.000 %	
14.04	.....	\$.....	0.000 %	
14.05	.....	\$.....	0.000 %	

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:
 15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []
 If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02 Aggregate statement value of investments held in general partnership interests.....	\$.....		0.000 %
Largest three investments in general partnership interests:			
15.03	\$.....		0.000 %
15.04	\$.....		0.000 %
15.05	\$.....		0.000 %

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:
 16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []
 If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1	2	3
<u>Type (Residential, Commercial, Agricultural)</u>			
16.02	\$.....		0.000 %
16.03	\$.....		0.000 %
16.04	\$.....		0.000 %
16.05	\$.....		0.000 %
16.06	\$.....		0.000 %
16.07	\$.....		0.000 %
16.08	\$.....		0.000 %
16.09	\$.....		0.000 %
16.10	\$.....		0.000 %
16.11	\$.....		0.000 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

	<u>Loans</u>	
16.12 Construction loans.....	\$.....	0.000 %
16.13 Mortgage loans over 90 days past due.....	\$.....	0.000 %
16.14 Mortgage loans in the process of foreclosure.....	\$.....	0.000 %
16.15 Mortgage loans foreclosed.....	\$.....	0.000 %
16.16 Restructured mortgage loans.....	\$.....	0.000 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

<u>Loan-to-Value</u>	<u>Residential</u>		<u>Commercial</u>		<u>Agricultural</u>	
	1	2	3	4	5	6
17.01 above 95%.....	\$.....	0.000 %	\$.....	0.000 %	\$.....	0.000 %
17.02 91% to 95%.....	\$.....	0.000 %	\$.....	0.000 %	\$.....	0.000 %
17.03 81% to 90%.....	\$.....	0.000 %	\$.....	0.000 %	\$.....	0.000 %
17.04 71% to 80%.....	\$.....	0.000 %	\$.....	0.000 %	\$.....	0.000 %
17.05 below 70%.....	\$.....	0.000 %	\$.....	0.000 %	\$.....	0.000 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:
 18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []
 If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate:

	<u>Description</u>	2	3
18.02		\$.....	0.000 %
18.03		\$.....	0.000 %
18.04		\$.....	0.000 %
18.05		\$.....	0.000 %
18.06		\$.....	0.000 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans.
 19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets? Yes [X] No []
 If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02 Aggregate statement value of investments held in mezzanine real estate loans		\$.....	0.000 %
Largest three investments held in mezzanine real estate loans:			
19.03		\$.....	0.000 %
19.04		\$.....	0.000 %
19.05		\$.....	0.000 %

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	<u>At Year-End</u>		<u>At End of Each Quarter</u>		
	1	2	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
	3	4	5		
20.01 Securities lending agreements (do not include assets held as collateral for such transactions).....	\$.....	0.000 %	\$.....	\$.....	\$.....
20.02 Repurchase agreements.....	\$.....	0.000 %	\$.....	\$.....	\$.....
20.03 Reverse repurchase agreements.....	\$.....	0.000 %	\$.....	\$.....	\$.....
20.04 Dollar repurchase agreements.....	\$.....	0.000 %	\$.....	\$.....	\$.....
20.05 Dollar reverse repurchase agreements.....	\$.....	0.000 %	\$.....	\$.....	\$.....

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps and floors:

	<u>Owned</u>		<u>Written</u>	
	1	2	3	4
21.01 Hedging.....	\$.....	.....0.000 %	\$.....	.....0.000 %
21.02 Income generation.....	\$.....	.....0.000 %	\$.....	.....0.000 %
21.03 Other.....	\$.....	.....0.000 %	\$.....	.....0.000 %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	<u>At Year-End</u>		<u>At End of Each Quarter</u>		
	1	2	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
			3	4	5
22.01 Hedging.....	\$.....	.....0.000 %	\$.....	\$.....	\$.....
22.02 Income generation.....	\$.....	.....0.000 %	\$.....	\$.....	\$.....
22.03 Replications.....	\$.....	.....0.000 %	\$.....	\$.....	\$.....
22.04 Other.....	\$.....	.....0.000 %	\$.....	\$.....	\$.....

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	<u>At Year-End</u>		<u>At End of Each Quarter</u>		
	1	2	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
			3	4	5
23.01 Hedging.....	\$.....	.....0.000 %	\$.....	\$.....	\$.....
23.02 Income generation.....	\$.....	.....0.000 %	\$.....	\$.....	\$.....
23.03 Replications.....	\$.....	.....0.000 %	\$.....	\$.....	\$.....
23.04 Other.....	\$.....	.....0.000 %	\$.....	\$.....	\$.....

See report of independent auditors.