

Statutory Basis Financial Statements
and Other Financial Information

Life Insurance Company of Alabama

*Years ended December 31, 2018 and 2017
with Report of Independent Auditors*



Life Insurance Company of Alabama

Statutory Basis Financial Statements
and Other Financial Information

Years ended December 31, 2018 and 2017

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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, 2018 and 2017, 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.

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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, 2018 and 2017, 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, to meet the requirements of the state of Alabama. 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, 2018, 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.



Tampa, Florida
May 2, 2019

Life Insurance Company of Alabama

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

	December 31,	
	2018	2017
Admitted assets		
Cash and invested assets:		
Bonds	\$ 103,210,815	\$ 101,745,053
Preferred stocks	-	19,150
Common stocks	-	6,484,407
Real estate	1,084,913	705,609
Cash and short-term investments	1,694,808	2,970,102
Policy loans	3,948,861	3,815,341
Other invested assets	<u>4,580,704</u>	<u>386,090</u>
Total cash and invested assets	114,520,101	116,125,752
Investment income due and accrued	1,016,213	1,260,844
Premiums due, deferred, and uncollected	3,410,060	3,129,720
Amounts recoverable on recapture of reinsurance	42,559	40,514
Net deferred tax asset	1,355,810	1,445,704
Electronic data processing equipment, net	279,372	103,117
Cash surrender value of life insurance	3,027,448	2,658,360
Federal income taxes recoverable	<u>294,052</u>	<u>55,209</u>
Total admitted assets	<u>\$ 123,945,615</u>	<u>\$ 124,819,220</u>

(continued)

Life Insurance Company of Alabama

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

	December 31,	
	2018	2017
Liabilities and capital and surplus		
Liabilities:		
Policy and contract liabilities:		
Aggregate reserves for life policies	\$ 46,514,842	\$ 44,878,376
Aggregate reserves for accident and health policies	23,109,179	22,643,062
Deposit-type contracts	1,077,759	1,191,886
Policy and contract claims	4,845,184	4,651,393
Provision for policyholders' dividends	15,859	17,155
	75,562,823	73,381,872
Premiums received in advance	243,183	344,242
Interest maintenance reserve	1,478,605	1,979,565
Accounts payable and accrued expenses	3,908,705	3,117,604
Taxes, licenses, and fees payable	73,542	129,840
Unearned investment income	142,570	204,418
Funds held as agent or trustee	85,428	144,625
Asset valuation reserve	753,450	2,773,684
Other liabilities	328,910	281,721
Payable for securities	-	4,812
Total liabilities	82,577,216	82,362,383
Capital and surplus:		
Common stock (\$5 par value; 100,000 shares authorized and issued; 87,563 shares outstanding at December 31, 2018 and 2017.)	500,000	500,000
Common stock - Class A (\$1 par value; 1,500,000 shares authorized; 1,000,000 shares issued; 595,179 shares outstanding at December 31, 2018 and 2017.)	1,000,000	1,000,000
Additional paid-in and contributed surplus	1,810,494	1,810,494
Unassigned surplus	38,776,067	39,864,505
Treasury stock, at cost	(718,162)	(718,162)
Total capital and surplus	41,368,399	42,456,837
Total liabilities and capital and surplus	\$ 123,945,615	\$ 124,819,220

See accompanying notes.

Life Insurance Company of Alabama

Statements of Operations - Statutory Basis

	Years ended	December 31,
	2018	2017
	<u> </u>	<u> </u>
Premiums and other revenues:		
Premiums and annuity considerations:		
Accident and health	\$ 30,056,176	\$ 30,184,090
Annuities	24,022	23,719
Life	<u>7,083,494</u>	<u>6,458,878</u>
	37,163,692	36,666,687
Net investment income	4,570,348	5,065,071
Net realized capital gains, net of federal income taxes	521,404	34,071
Other income	<u>413,630</u>	<u>267,430</u>
Total premiums and other revenues	<u>42,669,074</u>	<u>42,033,259</u>
Benefits and expenses:		
Policy and contract benefits	19,973,335	19,022,405
Change in reserves on policies and contracts	<u>2,102,583</u>	<u>1,711,860</u>
	22,075,918	20,734,265
Commissions	7,864,245	7,302,359
General insurance expenses	11,805,172	10,320,237
Insurance taxes, licenses, and fees	<u>1,235,181</u>	<u>1,255,357</u>
Total benefits and expenses	<u>42,980,516</u>	<u>39,612,218</u>
(Loss) income before dividends to policyholders and federal income tax	(311,442)	2,421,041
Dividends to policyholders	<u>10,529</u>	<u>11,452</u>
(Loss) income before federal income tax (benefit) expense	(321,971)	2,409,589
Federal income tax (benefit) expense	<u>(45,669)</u>	<u>236,728</u>
Net (loss) income	<u>\$ (276,302)</u>	<u>\$ 2,172,861</u>

See accompanying notes.

Life Insurance Company of Alabama

Statements of Changes in Capital and Surplus - Statutory Basis

Years ended December 31, 2018 and 2017

	Common stock		Paid-in Surplus	Unassigned Surplus	Treasury Stock	Total
	Common	Class A Common				
Balance as of December 31, 2016	\$ 500,000	\$ 1,000,000	\$ 1,810,494	\$ 38,036,531	\$ (718,162)	\$ 40,628,863
Change in deferred income taxes	-	-	-	(1,302,455)	-	(1,302,455)
Change in nonadmitted assets	-	-	-	1,190,244	-	1,190,244
Change in asset valuation reserve	-	-	-	(499,952)	-	(499,952)
Change in net unrealized capital gains and losses	-	-	-	680,442	-	680,442
Dividends to stockholders	-	-	-	(413,166)	-	(413,166)
Net income	-	-	-	2,172,861	-	2,172,861
Balance as of December 31, 2017	500,000	1,000,000	1,810,494	39,864,505	(718,162)	42,456,837
Change in deferred income taxes	-	-	-	922,390	-	922,390
Change in nonadmitted assets	-	-	-	(1,866,168)	-	(1,866,168)
Change in asset valuation reserve	-	-	-	2,020,234	-	2,020,234
Change in net unrealized capital gains and losses	-	-	-	(1,475,363)	-	(1,475,363)
Dividends to stockholders	-	-	-	(413,229)	-	(413,229)
Net loss	-	-	-	(276,302)	-	(276,302)
Balance as of December 31, 2018	\$ 500,000	\$ 1,000,000	\$ 1,810,494	\$ 38,776,067	\$ (718,162)	\$ 41,368,399

Life Insurance Company of Alabama

Statements of Cash Flows - Statutory Basis

	Years ended December 31,	
	2018	2017
Operating activities		
Cash received from premiums and annuity considerations	\$ 36,667,388	\$ 36,522,035
Net investment income received	5,075,902	5,397,469
Other income received	189,693	85,743
Policyholder and contract benefits paid	(19,745,308)	(19,523,130)
Commissions, other expenses, and taxes paid	(20,007,490)	(18,399,774)
Dividends paid to policyholders	(11,478)	(11,942)
Federal income taxes paid	(200,000)	(350,000)
Net cash provided by operating activities	<u>1,968,707</u>	<u>3,720,401</u>
Investing activities		
Proceeds from investments sold, matured, or repaid:		
Bonds	27,177,866	20,615,149
Common stocks	6,876,480	917,550
Other invested assets	170,101	291,808
Cost of investments acquired:		
Bonds	(30,384,489)	(20,899,653)
Common stocks	(66,976)	(1,805,932)
Other invested assets	(5,747,006)	(192,219)
Net increase in policy loans	(133,520)	(207,272)
Net cash used in investing activities	<u>(2,107,544)</u>	<u>(1,280,569)</u>
Financing activities		
Net deposits on deposit-type contracts	(151,565)	(51,160)
Dividends paid to stockholders	(413,229)	(413,166)
Other miscellaneous uses	(571,663)	(179,186)
Net cash used in financing activities	<u>(1,136,457)</u>	<u>(643,512)</u>
Net (decrease) increase in cash and short-term investments	(1,275,294)	1,796,320
Cash and short-term investments at beginning of year	<u>2,970,102</u>	<u>1,173,782</u>
Cash and short-term investments at end of year	<u>\$ 1,694,808</u>	<u>\$ 2,970,102</u>

See accompanying notes.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

Years ended December 31, 2018 and 2017

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 and health policies and annuity contracts with mortality or morbidity risk. Benefits incurred consist of contract benefits paid and the change in claim 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 Revenues

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 fair value and the related net unrealized capital gains and losses are reported in unassigned surplus. Preferred stocks are reported at cost.

Short-term investments include investments with remaining maturities of one year or less from the time of acquisition and are principally stated at amortized cost, which approximates fair value.

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 of Alabama. The Company waives deduction of deferred fractional premiums on the death of life and annuity policy insureds. 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.

For life policy benefit reserves, 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. For accident and health benefit reserves, the reserve held is the interpolated terminal reserve plus the net unearned premium.

As of December 31, 2018, reserves of \$237,417 were recorded on in force amounts of \$28,176,128 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, 2017, reserves of \$254,733 were recorded on in force amounts of \$27,421,246 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 2018 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 Statement of Statutory Accounting Principles (SSAP) No. 51, *Life Contracts*. For the years ended December 31, 2018 and 2017, premiums on life and annuity participating policies were .30% and 0.34%, respectively, of total life and annuity premiums. The Company paid dividends and coupons of \$16,758 and \$17,669 for the years ended December 31, 2018 and 2017, 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 \$568,281 and \$493,077 at December 31, 2018 and 2017, 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 \$174,812 and \$150,034 in 2018 and 2017, 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 SSAP No. 101 as discussed further in Note 9.

On December 22, 2017, the President of the United States of America signed into law the Tax Cuts and Jobs Act (the Act). The Act makes significant changes to existing tax law, including a reduction in the federal corporate income tax rate for tax periods beginning January 1, 2018. As a result, the Company's net deferred tax asset is measured at the new enacted rate of 21%.

Subsequent Events

The Company has evaluated subsequent events through May 2, 2019, the date the financial statements were available to be issued. During the period from December 31, 2018 to May 2, 2019, 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 \$3,014,549 and \$3,013,501 at December 31, 2018 and 2017, 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, 2018 and 2017.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

3. Investments

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

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
December 31, 2018				
Bonds:				
U.S. government and government agencies States, territories, and possessions	\$ 1,781,041	\$ 144,498	\$ (868)	\$ 1,924,671
Political subdivisions of states, territories, and possessions	1,046,357	6,383	-	1,052,740
Special revenue and assessment obligations	5,473,990	-	(315,806)	5,158,184
Industrial and miscellaneous	26,494,416	194,352	(582,491)	26,106,277
	<u>68,415,011</u>	<u>545,036</u>	<u>(1,480,558)</u>	<u>67,479,489</u>
Total bonds	<u>\$ 103,210,815</u>	<u>\$ 890,269</u>	<u>\$ (2,379,723)</u>	<u>\$ 101,721,361</u>
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
December 31, 2017				
Bonds:				
U.S. government and government agencies States, territories, and possessions	\$ 766,869	\$ 184,772	\$ -	\$ 951,641
Political subdivisions of states, territories, and possessions	1,053,730	29,450	-	1,083,180
Special revenue and assessment obligations	5,482,417	23,359	(100,006)	5,405,770
Industrial and miscellaneous	13,653,031	169,103	(175,836)	13,646,298
	<u>80,789,006</u>	<u>3,672,981</u>	<u>(1,939,159)</u>	<u>82,522,828</u>
Total bonds	101,745,053	4,079,665	(2,215,001)	103,609,717
Preferred stocks	19,150	-	(2,107)	17,043
Common stocks	<u>5,010,044</u>	<u>1,553,384</u>	<u>(79,021)</u>	<u>6,484,407</u>
Total	<u>\$ 106,774,247</u>	<u>\$ 5,633,049</u>	<u>\$ (2,296,129)</u>	<u>\$ 110,111,167</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 aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2018 and 2017.

	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, 2018									
U.S. Government and government agencies	1	\$ 1,012,388	\$ (868)	-	\$ -	\$ -	1	\$ 1,012,388	\$ (868)
Political subdivisions of states, territories, and possessions	-	-	-	13	5,158,185	(315,806)	13	5,158,185	(315,806)
Special revenue and assessment obligations	4	5,345,985	(68,451)	23	10,531,913	(514,040)	27	15,877,898	(582,491)
Industrial and miscellaneous	<u>10</u>	<u>7,414,319</u>	<u>(67,231)</u>	<u>50</u>	<u>35,705,306</u>	<u>(1,413,327)</u>	<u>60</u>	<u>43,119,625</u>	<u>(1,480,558)</u>
Total	<u>15</u>	<u>\$ 13,772,692</u>	<u>\$ (136,550)</u>	<u>86</u>	<u>\$ 51,395,404</u>	<u>\$ (2,243,173)</u>	<u>101</u>	<u>\$ 65,168,096</u>	<u>\$ (2,379,723)</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, 2017									
Political subdivisions of states, territories, and possessions	7	\$ 2,876,836	\$ (59,497)	4	\$ 1,472,799	\$ (40,509)	11	\$ 4,349,635	\$ (100,006)
Special revenue and assessment obligations	7	4,521,445	(41,765)	13	4,697,836	(134,071)	20	9,219,281	(175,836)
Industrial and miscellaneous	4	2,457,084	(77,477)	22	16,864,214	(1,861,682)	26	19,321,298	(1,939,159)
Preferred stocks	1	17,043	(2,107)	-	-	-	1	17,043	(2,107)
Common stocks	<u>46</u>	<u>1,129,984</u>	<u>(53,330)</u>	<u>23</u>	<u>187,353</u>	<u>(25,691)</u>	<u>69</u>	<u>1,317,337</u>	<u>(79,021)</u>
Total	<u>65</u>	<u>\$ 11,002,392</u>	<u>\$ (234,176)</u>	<u>62</u>	<u>\$ 23,222,202</u>	<u>\$ (2,061,953)</u>	<u>127</u>	<u>\$ 34,224,594</u>	<u>\$ (2,296,129)</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, 2018, 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	\$ 1,000,450	\$ 1,032,879
Due after one year through five years	4,090,400	4,223,952
Due after five years through ten years	36,406,569	36,025,019
Due after ten years	<u>61,713,396</u>	<u>60,439,511</u>
Total	<u><u>\$ 103,210,815</u></u>	<u><u>\$ 101,721,361</u></u>

Proceeds from sales or maturities of investments during 2018 and 2017 were approximately \$34,054,345 and \$21,533,000, respectively. There were realized gains of approximately \$2,217,722 and \$909,000 in 2018 and 2017, respectively, and realized losses of approximately \$1,300,495 and \$168,000 in 2018 and 2017, respectively.

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

	Years ended December 31,	
	2018	2017
Realized capital gains	\$ 251,208	\$ 684,941
Amount transferred to IMR (net of related capital gains tax of \$73,639 in 2018 and \$212,365 in 2017)	277,022	(412,237)
Capital gains tax	<u>(6,826)</u>	<u>(238,633)</u>
Net realized capital gains	<u><u>\$ 521,404</u></u>	<u><u>\$ 34,071</u></u>

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

	Years ended December 31,	
	2018	2017
Investment Income:		
Bonds	\$ 4,227,219	\$ 4,860,419
Stocks	93,848	128,968
Real estate rental	93,090	98,941
Policy loans	277,940	264,574
Cash and short-term investments	58,166	8,791
Other	<u>212,387</u>	<u>83,084</u>
Total investment income	4,962,650	5,444,777
Investment expenses	(297,974)	(300,835)
Investment taxes, licenses, and fees	(26,758)	(26,918)
Depreciation	<u>(67,570)</u>	<u>(51,953)</u>
Net investment income	<u><u>\$ 4,570,348</u></u>	<u><u>\$ 5,065,071</u></u>

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, 2018. 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 fair value hierarchy of investments.

December 31, 2018						
	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practical (Carrying Value)
Bonds	\$ 101,721,361	\$ 103,210,815	\$ 101,721,361	\$ -	\$ -	\$ -
Other invested assets	4,770,327	4,580,704	4,770,327	-	-	8,556
December 31, 2017						
	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practical (Carrying Value)
Bonds	\$ 103,609,717	\$ 101,745,053	\$ 103,609,717	\$ -	\$ -	\$ -
Preferred stocks	17,043	19,150	17,043	-	-	-
Common stocks	6,484,407	6,484,407	6,484,407	-	-	-
Other invested assets	261,000	386,090	261,000	-	-	186,090

During 2018, the Company had no event or circumstance change that would cause an instrument to be transferred between levels.

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

Type or Class of Financial Instrument	Carrying Value	Effective Interest Rate	Maturity Date	Explanation
Structured investment vehicle	\$ 8,556	7.8%	3/1/2019	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, 2018			
Ordinary life - first year	\$ 477,445	\$ 78,656	\$ 398,789
Ordinary life - renewal	<u>3,041,804</u>	<u>2,851,915</u>	<u>189,889</u>
Total	<u>\$ 3,519,249</u>	<u>2,930,571</u>	<u>\$ 588,678</u>
Plus uncollected accident and health		<u>479,489</u>	
Premiums due, deferred, and uncollected		<u>\$ 3,410,060</u>	
	<u>Gross</u>	<u>Net</u>	<u>Loading</u>
December 31, 2017			
Ordinary life - first year	\$ 441,970	\$ 76,005	\$ 365,965
Ordinary life - renewal	<u>2,783,714</u>	<u>2,677,180</u>	<u>106,534</u>
Total	<u>\$ 3,225,684</u>	<u>2,753,185</u>	<u>\$ 472,499</u>
Plus uncollected accident and health		<u>376,535</u>	
Premiums due, deferred, and uncollected		<u>\$ 3,129,720</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,	
	2018	2017
	<i>(in thousands)</i>	
Unpaid claims and claim adjustment expenses at beginning of year	\$ 26,994	\$ 26,959
Incurred claims and claim adjustment expenses related to:		
Current year	16,756	16,623
Prior years	8,793	(1,086)
	25,549	15,537
Claims and claim adjustment expenses paid related to:		
Current year	12,053	12,326
Prior years	3,727	3,448
	15,780	15,774
Unpaid claims and claim adjustment expenses at end of the year	\$ 36,763	\$ 26,722

The foregoing reconciliation reflects a deficiency (redundancy) in the net reserves at December 31, 2018 and 2017, of approximately \$8,793,000 and \$(1,086,000), 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,			
	2018		2017	
	<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	\$ 2,569,381	100 %	\$ 2,727,257	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>2,569,381</u>	<u>100 %</u>	2,727,257	<u>100 %</u>
Less reinsurance	-		-	
Total annuity actuarial reserves and deposit fund liabilities (net)	<u>\$ 2,569,381</u>		<u>\$ 2,727,257</u>	
Net annuity actuarial reserves	\$ 1,491,622		\$ 1,535,372	
Net deposit fund liabilities	<u>1,077,759</u>		<u>1,191,886</u>	
	<u>\$ 2,569,381</u>		<u>\$ 2,727,258</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, 2018 and 2017, 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, 2018 and 2017, 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. State income taxes are classified as taxes, licenses, and fees in the NAIC Annual Statement and as other underwriting expenses in the accompanying statements of operations.

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

(in thousands)

	2018			2017		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	\$ 3,668	\$ -	\$ 3,668	\$ 2,998	\$ -	\$ 2,998
Statutory valuation allowance adjustments	4	-	4	4	-	4
Adjusted gross deferred tax assets	3,664	-	3,664	2,994	-	2,994
Deferred tax assets nonadmitted	1,592	-	1,592	580	-	580
Subtotal net admitted deferred tax assets	2,072	-	2,072	2,414	-	2,414
Deferred tax liabilities	716	-	716	659	310	969
Net admitted deferred tax assets/(net deferred tax liabilities)	\$ 1,356	\$ -	\$ 1,356	\$ 1,755	\$ (310)	\$ 1,445

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 at December 31 are as follows:

(in thousands)

	2018			2017		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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)	1,356	-	1,356	1,445	-	1,445
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	1,356	-	1,356	1,445	-	1,445
2. Adjusted gross deferred tax assets allowed per limitation threshold			5,960			6,136
Adjusted gross deferred tax assets (excluding the amount of deferred tax assets above) offset by gross deferred tax liabilities	<u>716</u>	<u>-</u>	<u>716</u>	<u>468</u>	<u>501</u>	<u>969</u>
Deferred tax assets admitted as the result of application of SSAP No. 101	<u>\$ 2,072</u>	<u>\$ -</u>	<u>\$ 2,072</u>	<u>\$ 1,913</u>	<u>\$ 501</u>	<u>\$ 2,414</u>

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

9. Income Taxes (continued)

The ExDTA RBC authorized control level ratios utilized in the paragraph 11.b. calculation at December 31 are as follows:

	2018	2017
Ratio percentage used to determine recovery period and threshold limitation amount	1,773 %	1,631 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation <i>(in thousands)</i>	\$ 39,733,217	\$ 40,908,016

There were no tax planning strategies utilized in determining the net admitted deferred tax asset. Also, there were no unrecognized DTLs at December 31, 2018 and 2017.

The provision for income tax expense (benefit) for the years ended December 31 is as follows:

<i>(in thousands)</i>		
	2018	2017
Federal income tax (benefit) expense	\$ (46)	\$ 237
Federal income tax on net capital gains	81	239
Total	<u>\$ 35</u>	<u>\$ 476</u>

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

9. Income Taxes (continued)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are as follows:

(in thousands)

	December 31,		
	2018	2017	Change
Deferred tax assets			
Ordinary:			
Reserves	\$ 1,163	\$ 1,041	\$ 122
Deferred policy acquisition expense	1,601	1,481	120
Unearned investment income	30	43	(13)
Non-admitted assets	322	143	179
Compensation and benefits	135	135	-
Net operating loss carryforward	143	-	143
Other	274	155	119
Subtotal	3,668	2,998	670
Statutory valuation allowance adjustment	4	4	-
Nonadmitted deferred tax assets	1,592	580	1,012
Admitted ordinary deferred tax assets	2,072	2,414	(342)
Capital:			
Admitted capital deferred tax assets	-	-	-
Total admitted deferred tax assets	2,072	2,414	(342)
Deferred tax liabilities			
Ordinary:			
Dividend income	-	2	(2)
Deferred and uncollected premiums	716	657	59
Ordinary deferred tax liabilities	716	659	57
Capital:			
Investments	-	310	(310)
Capital deferred tax liabilities	-	310	(310)
Total deferred tax liabilities	716	969	(253)
Net admitted deferred tax assets (liabilities)	\$ 1,356	\$ 1,445	\$ (89)

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

9. Income Taxes (continued)

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

	<i>(in thousands)</i>	Percentage of	<i>(in thousands)</i>	Percentage of
	2018	Pre-Tax	2017	Pre-Tax
		Income		Income
Provision computed at statutory rate	\$ (68)	(21.00)%	\$ 828	34.00 %
Adjustment due to change in enacted tax rate	-	-	1,062	43.60
Small company deduction	-	-	(579)	(23.80)
Nonadmitted assets	(489)	(151.90)	140	5.70
Alternative minimum tax	(233)	(72.30)	120	4.90
Other	(171)	(53.30)	207	8.50
Total	<u>\$ (961)</u>	<u>(298.50)%</u>	<u>\$ 1,778</u>	<u>72.90 %</u>
Federal income tax expense	\$ (46)	(14.30)%	\$ 237	9.70 %
Realized capital gains tax	7	2.20	239	9.70
Change in net deferred income taxes	(922)	(286.40)	1,302	53.50
Statutory income taxes	<u>\$ (961)</u>	<u>(298.50)%</u>	<u>\$ 1,778</u>	<u>72.90 %</u>

At December 31, 2018 and 2017, the Company did not have any unused capital loss carryforwards available to offset against future taxable income. At December 31, 2018, the Company had net operating loss carryforwards of \$680,868 (none at December 31, 2017) available to offset against future taxable income. These carryforwards do not expire.

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

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

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.

The Company files income tax returns in U.S. federal and state of Alabama jurisdictions. With few exceptions, the Company is no longer subject to examinations by major tax jurisdictions for years ended December 31, 2014, and prior.

Life Insurance Company of Alabama

Notes to Statutory Basis Financial Statements

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 87,563 shares are outstanding at December 31, 2018 and 2017. The Company has authorized 1,500,000 shares of Class A Common (\$1 par) stock, of which 1,000,000 shares are issued and 595,179 shares are outstanding at December 31, 2018 and 2017. No other classes of common or preferred stock were issued during 2018 or 2017.

At December 31, 2018 and 2017, treasury stock consists of 12,437 shares of Common (\$5 par) stock at a cost of \$244,325 and 404,821 shares of Class A Common (\$1 par) stock at a cost of \$473,837.

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, 2018 and 2017.

Dividends on Company stock are paid as declared by its Board of Directors. Ordinary cash dividends declared and paid in 2018 and 2017 totaled \$2.00 each year, per share on Common (\$5 par) stock and \$0.40 each year, per share on Class A Common (\$1 par) stock. Total dividends paid in 2018 and 2017 were \$413,229 and \$413,166, 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 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, 2018, the amount unrestricted for the payment of dividends in 2019 is \$0.

At December 31, 2018 and 2017, a portion of unassigned surplus was represented or reduced by each of the following items:

	December 31,	
	2018	2017
Net unrealized gains	\$ -	\$ 1,474,363
Nonadmitted assets	(3,127,599)	(1,261,390)
Net deferred income tax	2,948,026	2,025,636
Asset valuation reserve	(453,450)	(2,773,684)

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 2018 or 2017. 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. Additionally, the Company matches 75% of employee contributions up to 3% of the employee's annual salary. The Company also makes annual contributions to the Plan, based on statutory underwriting results. Total contributions made by the Company during 2018 and 2017 were \$436,949 and \$428,046, respectively.

Other Financial Information

Supplemental Schedule of Selected Statutory Basis Financial Data

	Years ended December 31,	
	2018	2017
Investment income earned:		
Government bonds	\$ 47,884	\$ 34,135
Bonds exempt from U.S. tax	331,774	307,629
Other bonds (unaffiliated)	3,847,561	4,518,655
Preferred stocks (unaffiliated)	201	805
Common stocks (unaffiliated)	93,647	128,163
Common stocks (affiliated)	-	-
Real estate	93,090	98,941
Contract loans	277,940	264,574
Cash and short-term investments	58,166	8,791
Other invested assets	210,553	81,811
Other	1,834	1,273
Gross investment income	<u>\$ 4,962,650</u>	<u>\$ 5,444,777</u>
Real estate owned - book value	<u>\$ 2,079,587</u>	<u>\$ 810,523</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	\$ 2,679,295	\$ 1,635,077
Due after one year through five years	7,676,235	2,869,775
Due after five years through ten years	59,750,761	57,812,293
Due after ten years through twenty years	30,055,091	31,779,729
Due after twenty years	3,049,433	7,648,179
	<u>\$ 103,210,815</u>	<u>\$ 101,745,053</u>

(continued)

Life Insurance Company of Alabama

Supplemental Schedule of Selected Statutory Basis Financial Data (continued)

	Years ended December 31,	
	2018	2017
Bonds and short-term investments by class and maturity (continued)		
Bonds by class - statement value		
Class 1	\$ 53,826,334	\$ 30,841,339
Class 2	49,384,481	60,626,905
Class 3	-	4,365,444
Class 4	-	3,891,453
Class 5	-	1,938,912
Class 6	-	81,000
	<u>\$ 103,210,815</u>	<u>\$ 101,745,053</u>
Total bonds publicly traded	<u>\$ 100,740,737</u>	<u>\$ 101,636,709</u>
Total bonds privately placed	<u>\$ 2,470,078</u>	<u>\$ -</u>
Preferred stocks - statement value	<u>\$ -</u>	<u>\$ 19,150</u>
Common stocks - market value	<u>\$ -</u>	<u>\$ 6,484,407</u>
Short-term investments - book value	<u>\$ 458,668</u>	<u>\$ 2,351,435</u>
Financial options owned - statement value	<u>\$ -</u>	<u>\$ -</u>
Cash on deposit	<u>\$ 1,235,940</u>	<u>\$ 618,467</u>
Life insurance in force		
Ordinary	<u>\$ 689,699,000</u>	<u>\$ 654,666,000</u>
Credit life	<u>\$ -</u>	<u>\$ -</u>
Group life	<u>\$ 1,238,845,000</u>	<u>\$ 1,199,893,000</u>
Amount of accidental death insurance in force under ordinary policies	<u>\$ 43,868,000</u>	<u>\$ 43,270,000</u>
Life insurance policies with disability provisions in force		
Ordinary	<u>\$ 41,461,000</u>	<u>\$ 44,793,000</u>
Supplementary contracts in force		
Ordinary - not involving life companies		
Amount on deposit	<u>\$ 125,695</u>	<u>\$ 157,768</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,	
	2018	2017
Supplementary contracts in force - continued		
Ordinary - involving life contingencies		
Amount on deposit	\$ -	\$ -
Income payable	<u>\$ -</u>	<u>\$ -</u>
Annuities		
Ordinary		
Immediate - amount of income payable	\$ 15,166	\$ 18,549
Deferred - not fully paid - account balance	<u>\$ 1,190,105</u>	<u>\$ 1,215,012</u>
Accident and health insurance - premiums in force		
Ordinary	\$ 27,271,822	\$ 27,354,602
Group	<u>\$ 3,085,850</u>	<u>\$ 3,064,074</u>
Credit	<u>\$ -</u>	<u>\$ -</u>
Deposit funds and dividend accumulations		
Deposit funds - account balance	\$ 9,595	\$ 9,123
Dividend accumulations - account balance	<u>\$ 942,469</u>	<u>\$ 1,024,995</u>

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.....	767,787	0.7	767,787		767,787	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.....	2,284,465	2.0	2,284,465		2,284,465	2.0
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.....	1,046,357	0.9	1,046,357		1,046,357	0.9
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations.....	5,473,990	4.7	5,473,990		5,473,990	4.8
1.43 Revenue and assessment obligations.....	11,326,867	9.8	11,326,867		11,326,867	9.9
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.....	1,013,254	0.9	1,013,254		1,013,254	0.9
1.512 Issued or guaranteed by FNMA and FHLMC.....	5,414,436	4.7	5,414,436		5,414,436	4.7
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.....	8,225,308	7.1	8,225,308		8,225,308	7.2
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.....	9,260,074	8.0	9,260,074		9,260,074	8.1
2. Other debt and other fixed income securities (excluding short-term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities).....	56,624,736	49.0	56,624,736		56,624,736	49.4
2.2 Unaffiliated non-U.S. securities (including Canada).....	1,773,540	1.5	1,773,540		1,773,540	1.5
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.....		0.0			0	0.0
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated.....		0.0			0	0.0
3.32 Unaffiliated.....		0.0			0	0.0
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.....	1,939,538	1.7	982,073		982,073	0.9
5.2 Property held for production of income (including \$.....0 of property acquired in satisfaction of debt).....	140,049	0.1	102,840		102,840	0.1
5.3 Property held for sale (including \$.....0 property acquired in satisfaction of debt).....		0.0			0	0.0
6. Contract loans.....	3,948,861	3.4	3,948,861		3,948,861	3.4
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.....	1,694,808	1.5	1,694,808		1,694,808	1.5
11. Other invested assets.....	4,580,704	4.0	4,580,704		4,580,704	4.0
12. Total invested assets.....	115,514,774	100.0	114,520,101	0	114,520,101	100.0

See report of independent auditors.



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2018

(To be filed by April 1)

Of Life Insurance Company of Alabama

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

NAIC Group Code.....0

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. \$.....123,945,615

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

	1	2	3	4	
				Amount	Percentage of Total Admitted Assets
2.01 LIBERTY MUTUAL INSURANCE CO.....		SURPLUS NOTE.....	\$.....2,406,499		1.9 %
2.02 JEFFERIES GROUP INC NEW.....		BOND.....	\$.....2,262,046		1.8 %
2.03 INFIRMARY HEALTH SYS SPL CARE.....		BOND.....	\$.....2,176,760		1.8 %
2.04 WELLS FARGO CO.....		BOND.....	\$.....2,074,393		1.7 %
2.05 KLA-TENCOR CORP.....		BOND.....	\$.....2,054,682		1.7 %
2.06 PRUDENTIAL FINL INC.....		BOND.....	\$.....2,033,910		1.6 %
2.07 AMERICAN EXPRESS CR CORP MTNBE		BOND.....	\$.....2,021,593		1.6 %
2.08 SELECTIVE INS GROUP INC.....		BOND.....	\$.....2,020,139		1.6 %
2.09 JPMORGAN CHASE & CO.....		BOND.....	\$.....1,984,340		1.6 %
2.10 ROSEVILLE MINN INDPST SCH DIST.....		BOND.....	\$.....1,981,636		1.6 %

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

	1	2
<u>Bonds</u>		
3.01 NAIC 1.....	\$.....53,826,334	43.4 %
3.02 NAIC 2.....	\$.....49,384,481	39.8 %
3.03 NAIC 3.....	\$.....	0.0 %
3.04 NAIC 4.....	\$.....	0.0 %
3.05 NAIC 5.....	\$.....	0.0 %
3.06 NAIC 6.....	\$.....	0.0 %
<u>Preferred Stocks</u>		
3.07 P/RP-1.....	\$.....	0.0 %
3.08 P/RP-2.....	\$.....	0.0 %
3.09 P/RP-3.....	\$.....	0.0 %
3.10 P/RP-4.....	\$.....	0.0 %
3.11 P/RP-5.....	\$.....	0.0 %
3.12 P/RP-6.....	\$.....	0.0 %

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 [X] No []
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	\$.....0.0 %
4.03 Foreign-currency-denominated investments	\$.....0.0 %
4.04 Insurance liabilities denominated in that same foreign currency	\$.....0.0 %

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

	1	2
5.01 Countries designated NAIC 1.....	\$.....	0.0 %
5.02 Countries designated NAIC 2.....	\$.....	0.0 %
5.03 Countries designated NAIC 3 or below.....	\$.....	0.0 %

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:	\$.....	0.0 %
6.02 Country 2:	\$.....	0.0 %
Countries designated NAIC 2:		
6.03 Country 1:	\$.....	0.0 %
6.04 Country 2:	\$.....	0.0 %
Countries designated NAIC 3 or below:		
6.05 Country 1:	\$.....	0.0 %
6.06 Country 2:	\$.....	0.0 %

7. Aggregate unhedged foreign currency exposure..... \$.....0.0 %

8.	Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:	1	2		
8.01	Countries designated NAIC 1.....	\$.....	.....	0.0 %
8.02	Countries designated NAIC 2.....	\$.....	.....	0.0 %
8.03	Countries designated NAIC 3 or below.....	\$.....	.....	0.0 %
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: .....	\$.....	.....	0.0 %
9.02	Country 2: .....	\$.....	.....	0.0 %
	Countries designated NAIC 2:				
9.03	Country 1: .....	\$.....	.....	0.0 %
9.04	Country 2: .....	\$.....	.....	0.0 %
	Countries designated NAIC 3 or below:				
9.05	Country 1: .....	\$.....	.....	0.0 %
9.06	Country 2: .....	\$.....	.....	0.0 %
10.	Ten largest non-sovereign (i.e. non-governmental) foreign issues:				
		1	2		
	<u>Issuer</u>	<u>NAIC Designation</u>	3	4	
10.01	\$.....	0.0 %
10.02	\$.....	0.0 %
10.03	\$.....	0.0 %
10.04	\$.....	0.0 %
10.05	\$.....	0.0 %
10.06	\$.....	0.0 %
10.07	\$.....	0.0 %
10.08	\$.....	0.0 %
10.09	\$.....	0.0 %
10.10	\$.....	0.0 %
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? If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.			Yes [X] No []	
11.02	Total admitted assets held in Canadian Investments.....	\$.....	.....	0.0 %
11.03	Canadian currency-denominated investments.....	\$.....	.....	0.0 %
11.04	Canadian-denominated insurance liabilities.....	\$.....	.....	0.0 %
11.05	Unhedged Canadian currency exposure.....	\$.....	.....	0.0 %
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? If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.			Yes [X] No []	
		1	2	3	
12.02	Aggregate statement value of investments with contractual sales restrictions..... Largest three investments with contractual sales restrictions:	\$.....	.....	0.0 %
12.03	.....	\$.....	.....	0.0 %
12.04	.....	\$.....	.....	0.0 %
12.05	.....	\$.....	.....	0.0 %
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? If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.			Yes [X] No []	
		1	2	3	
	<u>Name of Issuer</u>				
13.02	.....	\$.....	.....	0.0 %
13.03	.....	\$.....	.....	0.0 %
13.04	.....	\$.....	.....	0.0 %
13.05	.....	\$.....	.....	0.0 %
13.06	.....	\$.....	.....	0.0 %
13.07	.....	\$.....	.....	0.0 %
13.08	.....	\$.....	.....	0.0 %
13.09	.....	\$.....	.....	0.0 %
13.10	.....	\$.....	.....	0.0 %
13.11	.....	\$.....	.....	0.0 %
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? If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.			Yes [X] No []	
		1	2	3	
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities..... Largest three investments held in nonaffiliated, privately placed equities:	\$.....	.....	0.0 %
14.03	.....	\$.....	.....	0.0 %
14.04	.....	\$.....	.....	0.0 %
14.05	.....	\$.....	.....	0.0 %

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.....		\$.....	.....0.0 %
Largest three investments in general partnership interests:			
15.03 .....		\$.....	.....0.0 %
15.04 .....		\$.....	.....0.0 %
15.05 .....		\$.....	.....0.0 %

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 .....		\$.....	.....0.0 %
16.03 .....		\$.....	.....0.0 %
16.04 .....		\$.....	.....0.0 %
16.05 .....		\$.....	.....0.0 %
16.06 .....		\$.....	.....0.0 %
16.07 .....		\$.....	.....0.0 %
16.08 .....		\$.....	.....0.0 %
16.09 .....		\$.....	.....0.0 %
16.10 .....		\$.....	.....0.0 %
16.11 .....		\$.....	.....0.0 %

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.....	\$.....0.0 %
16.13 Mortgage loans over 90 days past due.....	\$.....0.0 %
16.14 Mortgage loans in the process of foreclosure.....	\$.....0.0 %
16.15 Mortgage loans foreclosed.....	\$.....0.0 %
16.16 Restructured mortgage loans.....	\$.....0.0 %

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%.....	\$.....	.....0.0 %	\$.....	.....0.0 %	\$.....	.....0.0 %
17.02 91% to 95%.....	\$.....	.....0.0 %	\$.....	.....0.0 %	\$.....	.....0.0 %
17.03 81% to 90%.....	\$.....	.....0.0 %	\$.....	.....0.0 %	\$.....	.....0.0 %
17.04 71% to 80%.....	\$.....	.....0.0 %	\$.....	.....0.0 %	\$.....	.....0.0 %
17.05 below 70%.....	\$.....	.....0.0 %	\$.....	.....0.0 %	\$.....	.....0.0 %

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 .....		\$.....	.....0.0 %
18.03 .....		\$.....	.....0.0 %
18.04 .....		\$.....	.....0.0 %
18.05 .....		\$.....	.....0.0 %
18.06 .....		\$.....	.....0.0 %

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.....		\$.....	.....0.0 %
Largest three investments held in mezzanine real estate loans:			
19.03 .....		\$.....	.....0.0 %
19.04 .....		\$.....	.....0.0 %
19.05 .....		\$.....	.....0.0 %

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			
	3	4			
	5	6			
20.01 Securities lending agreements (do not include assets held as collateral for such transactions).....	\$.....	.....0.0 %	\$.....	.....	\$.....
20.02 Repurchase agreements.....	\$.....	.....0.0 %	\$.....	.....	\$.....
20.03 Reverse repurchase agreements.....	\$.....	.....0.0 %	\$.....	.....	\$.....
20.04 Dollar repurchase agreements.....	\$.....	.....0.0 %	\$.....	.....	\$.....
20.05 Dollar reverse repurchase agreements.....	\$.....	.....0.0 %	\$.....	.....	\$.....

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.....	\$.....	.....0.0 %	\$.....	.....0.0 %
21.02 Income generation.....	\$.....	.....0.0 %	\$.....	.....0.0 %
21.03 Other.....	\$.....	.....0.0 %	\$.....	.....0.0 %

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	3	4	5
22.01 Hedging.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
22.02 Income generation.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
22.03 Replications.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
22.04 Other.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....

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	3	4	5
23.01 Hedging.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
23.02 Income generation.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
23.03 Replications.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
23.04 Other.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....

See report of independent auditors.