

Life Insurance Company of Alabama
Projected 2019 - 2023 Budget

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Date Prepared: November 19, 2018

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Chapter 1

Background and Intended Use

1.1 Background

This is a report which outlines projected line item income and expenses for calendar years 2019 through 2023.

This report summarizes the results of this analysis, and also documents the considerations, methods and assumptions underlying the projections. Modeling techniques which involved a large number of plan/age cells and sub-model projections of cash flows and statutory earnings were used to make the projections. For practical reasons, this report is presented in an overview format, with sufficient information such that a qualified actuary could reproduce the results of this report. Internal files which contain complete information pertaining to the underlying detailed information in support of this summary have been prepared and are available for review by persons authorized by the management of the Company.

All projections performed during this analysis was done under the supervision of J. Steven Keck, FSA, MAAA, the appointed actuary for the Company.

Actuarial methods, considerations and analyses used in the preparation of this report conform to the appropriate Standards of Practice as promulgated by the Actuarial Standards Board, which standards form the basis for this report.

1.2 Intended Use

The purpose of this report is to assist the owners and management of Life Insurance Company of Alabama in determining a budget of income and expenses for the next five calendar years. In addition, the budget projections for 2019 through 2023 are intended to provide further information requested by various rating agencies. These results are not intended to be used for any other purpose.

Chapter 2

Reliances and Limitations

2.1 Reliances

In developing this report, I have relied extensively on information produced by the Company. Although independent verification of this information was not undertaken, I did review certain portions of the information for reasonableness and consistency. Reliance is placed on, but not limited to, the general accuracy of the following information:

- * The basic records, the statutory reserve valuation listings, other listings produced from these basic records, and the basis upon which information entered these valuations and listings.
- * The information contained in the Statutory Annual Statements of Life Insurance Company of Alabama for the years ending 2013 through 2017 and the September 30, 2018 Statutory Quarterly Statement as filed with the Alabama Department of Insurance.
- * Information as to commissions, gross premiums, cash values, statutory reserves, and policy benefits and provisions.
- * GGY Axis software used in performing model projections.

The Company also employs the services of WA Consulting, LLC, an actuarial consulting firm. This firm performs quarterly reserve processing from inforce records provided to them by the Company as well as assisting in annual budget and cash flow projections for use by the appointed actuary. I relied upon Mr. Jim Karnow, ASA, MAAA, from WA Consulting, to construct the model and provide the necessary output. I evaluated the results of the model for reasonableness and consistency, however, direct inspection of the model input was not performed.

2.2 Limitations

This report and the data and model projections developed are subject to the following limitations:

- * This report and the opinions and conclusions expressed herein are for the exclusive use of the management of Life Insurance Company of Alabama, its advisors and consultants. Distribution or disclosure of this report, in whole or in part, shall not be made to any other party (except pursuant to valid legal process) without our prior written consent.

- * This report has been prepared in conformity with its intended use by persons technically competent to evaluate the estimate of the five-year Budget of Life Insurance Company of Alabama. Judgments as to the data contained in the report should be made only after reviewing the report in its entirety, as the conclusions reached by review of a section or sections on an isolated basis may be incorrect. It is assumed that any user of this report will seek clarification as to any matter in question.

- * Although the model projections were developed to reflect the current and proposed operating environments and the most probable future experience within such environments, it should be recognized that actual future results will vary from those projected in this report. Deviations in the parameters used to reflect the environment could alter the projected results substantially. These parameters include management direction, insurance regulations, accounting practices, the Company's ability to file and obtain rate increases, federal and local taxation, and external economic factors such as inflation rates and available investment yields. Also, deviations from most probable assumptions are normal and to be expected. Even without any change in perceived environments, actual results from year to year will vary from those projected due to normal random fluctuations. Due to the scope of the project, no sensitivity testing was performed to demonstrate the impact of fluctuations in the model assumptions.

Chapter 3

2019 - 2023 Budget Summary

3.1 Description

This report develops an estimate of the statutory income and expense items of Life Insurance Company of Alabama for calendar years 2019 through 2023. In making this budget, we have followed the general methodology described in Chapter 4 and used the actuarial assumptions set forth in Chapter 5. The model is validated in Chapter 6 and copies of the computer model projection runs are provided in Chapter 7.

The following is a brief discussion of the assumptions used to project future Statutory income and expense items for calendar years 2019 through 2023:

- a) Investment Rate - The 4.00% projected interest rate on the market value of current and future invested assets represents the level of interest earnings (net of investment expenses) we expect the Company to average over the five-year projection period used in our calculations.
- b) Mortality - Industry mortality tables were used as the basis for the assumed mortality used in our calculations. These tables were adjusted to reflect the results of a recent mortality study looking at the Company experience covering 2010 through 2017 calendar years.
- c) Morbidity - Life of Alabama performs loss ratio studies on its individual and group A&H business on a periodic basis. From this data, along with a review of the benefit structure contained in each A&H model policy form, we derived the incurred claim costs used in our calculations. Incurred claim costs for the five-year projection period were trended forward for overall trend as stated in Chapter 5. We have assumed that the Company will monitor loss ratios and file for and obtain approval of any necessary future rate increases to account for these trends, where appropriate.

- d) Rate Increases - Due to medical trend, or worse than anticipated experience, the following premium rate increases were projected:

<u>Effective</u> <u>Year</u>	<u>Uncapped</u> <u>Cancer</u>	<u>Inactive</u> <u>Capped</u> <u>Cancer</u>	<u>Group</u> <u>Dental</u>	<u>Other</u> <u>Group</u>
2019	15.0%	15.0%	5.0%	10.0%
2020	15.0%	15.0%	5.0%	10.0%
2021	10.0%	10.0%	5.0%	10.0%
2022	10.0%	10.0%	5.0%	0.0%
2023	10.0%	10.0%	5.0%	0.0%

The rate increases projected are the average rate increase for each model plan. The rate increases may not apply uniformly to all plans in the model line of business. Rate increases are effective on the policy anniversary.

- e) Persistency - Life of Alabama recently conducted a study of its lapse/termination experience for calendar years 2014 through 2017. The results from this study along with pricing assumptions formed the basis of the lapse rates used in the calculations.
- f) Expenses - Life of Alabama recently conducted a study of its expenses for calendar years 2010 through 2018. The results of this study, along with input regarding future expenditures, formed the basis for the expense assumptions.
- g) Commissions - Top level commissions for the primary representative product within a line of business were used. These commissions were then adjusted to more accurately reflect actual experience. This includes adjustments to take into account rate increases on certain policies within the line of business. This is to recognize that with the exception of the group dental business, commissions only apply to original premiums.
- h) Reserve Increases - All reserve increases used in our calculations are based upon statutory reserve requirements.
- i) New Business Projections - New business projections were provided by the Company and are reflected in the budget projections.

3.2 Summary of 2019 - 2023 Budget

The 2019 - 2023 Budget Summary is shown on the following pages.

Remainder of 2018 Budget Summary
(in 1,000's)

	Total	Line Of Business								
		Ordinary Life	Exh. 7 Liabilities	Ordinary Annuities	Group Life	Group Dental	Other Group	Unlimited Cancer	Capped Cancer	Other Ind. A&H
Premium Income.....	9,329	1,677	0	5	0	642	131	615	4,087	2,172
Investment Income.....	1,154	695	11	15	0	2	22	15	286	108
Reinsurance Allowances.....	<u>96</u>	<u>96</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Income.....	10,579	2,467	11	20	0	644	154	631	4,374	2,279
Death Benefits.....	780	780	0	0	0	0	0	0	0	0
A&H Benefits.....	4,246	0	0	0	0	417	93	484	2,380	872
Accumulated Fund Payments.....	43	0	11	32	0	0	0	0	0	0
Surrender Benefits.....	250	250	0	0	0	0	0	0	0	0
Increase In Rsv. & Fund Accum.....	415	298	0	(9)	0	(0)	22	(4)	137	(30)
Policyholder Dividends.....	<u>3</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Policyholder Benefits.....	5,737	1,332	11	23	0	417	115	481	2,516	842
Commissions.....	1,990	412	0	0	0	124	13	6	819	615
Taxes Licenses & Fees.....	287	58	0	0	0	19	4	18	123	65
General Expenses.....	2,616	644	0	0	0	179	29	131	1,024	610
Increase in Loading.....	<u>38</u>	<u>38</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses.....	4,931	1,152	0	0	0	322	46	155	1,965	1,290
Total Benefits & Expenses.....	10,669	2,485	11	23	0	739	162	636	4,482	2,132
Net Gain from Operations Before FIT..	(89)	(17)	0	(3)	0	(95)	(8)	(5)	(108)	148
Federal Income Tax.....	34	15	0	(1)	0	(18)	(1)	1	(2)	39
Net Income.....	(124)	(33)	0	(2)	0	(77)	(7)	(7)	(106)	109

Revised 2018 Budget Summary (Actual thru 9/30 plus projected 4Q 2018)
 (in 1,000's)

	Total	Line Of Business								
		Ordinary Life	Exh. 7 Liabilities	Ordinary Annuities	Group Life	Group Dental	Other Group	Unlimited Cancer	Capped Cancer	Other Ind. A&H
Premium Income.....	37,341	7,120	0	23	1	2,497	501	2,520	16,175	8,504
Investment Income.....	4,754	2,837	47	60	0	4	90	76	1,194	446
Other Income.....	<u>37</u>	<u>37</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Income.....	42,133	9,993	47	83	1	2,501	592	2,597	17,370	8,949
Death Benefits.....	3,187	3,187	0	0	0	0	0	0	0	0
A&H Benefits.....	16,556	0	0	0	0	1,662	383	1,998	9,133	3,380
Accumulated Fund Payments.....	72	25	15	32	0	0	0	0	0	0
Surrender Benefits.....	1,068	978	0	90	0	0	0	0	0	0
Increase In Rsv. & Fund Accum.....	2,092	1,670	0	(44)	0	(0)	83	(41)	407	16
Policyholder Dividends.....	<u>11</u>	<u>11</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Policyholder Benefits.....	22,986	5,872	15	78	0	1,662	466	1,958	9,539	3,396
Commissions.....	7,886	1,553	0	0	0	484	56	21	3,313	2,458
Taxes Licenses & Fees.....	1,079	209	0	0	0	70	14	72	479	235
General Expenses.....	11,046	3,295	0	0	3	666	80	191	4,080	2,732
Increase in Loading.....	<u>176</u>	<u>176</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses.....	20,187	5,233	0	0	3	1,220	150	284	7,871	5,425
Total Benefits & Expenses.....	43,174	11,106	15	78	3	2,882	617	2,242	17,411	8,821
Net Gain from Operations Before FIT..	(1,041)	(1,112)	32	5	(2)	(381)	(25)	355	(41)	129

2019 Budget Summary
 (in 1,000's)

	Line Of Business									
	Total	Ordinary Life	Exh. 7 Liabilities	Ordinary Annuities	Group Life	Group Dental	Other Group	Unlimited Cancer	Capped Cancer	Other Ind. A&H
Premium Income.....	38,634	6,894	0	25	1	2,619	515	2,420	17,452	8,706
Investment Income.....	4,684	2,810	45	57	0	(1)	92	61	1,173	447
Reinsurance Allowance.....	411	411	0	0	0	0	0	0	0	0
Other Income.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Income.....	43,729	10,116	45	82	1	2,619	607	2,481	18,625	9,153
Death Benefits.....	2,966	2,966	0	0	0	0	0	0	0	0
A&H Benefits.....	17,011	0	0	0	0	1,701	365	1,917	9,586	3,441
Accumulated Fund Payments.....	175	0	48	127	0	0	0	0	0	0
Surrender Benefits.....	1,038	1,038	0	0	0	0	0	0	0	0
Increase In Rsv. & Fund Accum.....	1,732	1,370	(3)	(35)	0	(0)	69	(32)	553	(190)
Policyholder Dividends.....	<u>13</u>	<u>13</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Policyholder Benefits.....	22,936	5,388	45	92	0	1,701	434	1,885	10,139	3,251
Commissions.....	8,072	1,653	0	0	0	505	49	23	3,420	2,423
Taxes Licenses & Fees.....	1,191	240	0	0	0	79	15	73	524	261
General Expenses.....	10,492	2,590	0	1	4	715	112	489	4,176	2,404
Increase in Loading.....	<u>152</u>	<u>152</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses.....	19,907	4,635	0	1	4	1,298	177	584	8,119	5,088
Total Benefits & Expenses.....	42,842	10,023	45	94	4	2,999	611	2,469	18,259	8,339
Net Gain from Operations Before FIT	887	93	(0)	(11)	(3)	(380)	(4)	12	366	814
Federal Income Tax.....	399	99	(0)	(2)	0	(72)	0	10	168	196
Net Income.....	488	(6)	(0)	(9)	(3)	(308)	(4)	2	198	618

2020 Budget Summary
(in 1,000's)

	Line Of Business									
	Total	Ordinary Life	Exh. 7 Liabilities	Ordinary Annuities	Group Life	Group Dental	Other Group	Unlimited Cancer	Capped Cancer	Other Ind. A&H
Premium Income.....	40,664	7,264	0	24	1	2,742	533	2,502	18,753	8,845
Investment Income.....	4,803	2,871	44	56	0	(13)	95	61	1,224	465
Reinsurance Allowance.....	506	506	0	0	0	0	0	0	0	0
Other Income.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Income.....	45,972	10,641	44	79	1	2,729	628	2,563	19,977	9,310
Death Benefits.....	2,927	2,927	0	0	0	0	0	0	0	0
A&H Benefits.....	17,237	0	0	0	0	1,745	370	1,912	9,832	3,377
Accumulated Fund Payments.....	170	0	48	122	0	0	0	0	0	0
Surrender Benefits.....	1,016	1,016	0	0	0	0	0	0	0	0
Increase In Rsv. & Fund Accum.....	1,945	1,528	(3)	(33)	0	(0)	58	(28)	496	(72)
Policyholder Dividends.....	<u>12</u>	<u>12</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Policyholder Benefits.....	23,307	5,483	44	89	0	1,745	428	1,884	10,328	3,305
Commissions.....	8,471	1,773	0	0	0	528	46	21	3,579	2,524
Taxes Licenses & Fees.....	1,256	255	0	0	0	82	16	75	563	265
General Expenses.....	10,997	2,698	0	1	4	749	116	504	4,455	2,470
Increase in Loading.....	<u>143</u>	<u>143</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses.....	20,866	4,869	0	1	4	1,360	178	599	8,597	5,259
Total Benefits & Expenses.....	44,173	10,352	44	90	4	3,104	606	2,483	18,924	8,565
Net Gain from Operations Before FIT	1,799	289	(0)	(11)	(3)	(375)	22	79	1,053	745
Federal Income Tax.....	602	147	(0)	(2)	0	(71)	7	24	318	179
Net Income.....	1,198	142	(0)	(9)	(3)	(304)	15	56	735	566

2021 Budget Summary
(in 1,000's)

	Line Of Business									
	Total	Ordinary Life	Exh. 7 Liabilities	Ordinary Annuities	Group Life	Group Dental	Other Group	Unlimited Cancer	Capped Cancer	Other Ind. A&H
Premium Income.....	42,435	7,663	0	22	1	2,873	538	2,524	19,749	9,065
Investment Income.....	4,939	2,936	44	54	0	(25)	98	63	1,284	485
Reinsurance Allowance.....	565	565	0	0	0	0	0	0	0	0
Other Income.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Income.....	47,938	11,164	44	76	1	2,848	636	2,587	21,032	9,549
Death Benefits.....	3,111	3,111	0	0	0	0	0	0	0	0
A&H Benefits.....	17,719	0	0	0	0	1,789	363	1,906	10,164	3,496
Accumulated Fund Payments.....	164	0	47	117	0	0	0	0	0	0
Surrender Benefits.....	1,087	1,087	0	0	0	0	0	0	0	0
Increase In Rsv. & Fund Accum.....	2,091	1,528	(3)	(32)	0	(0)	37	(29)	636	(46)
Policyholder Dividends.....	<u>11</u>	<u>11</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Policyholder Benefits.....	24,184	5,737	44	85	0	1,789	401	1,877	10,800	3,450
Commissions.....	8,867	1,866	0	0	0	553	44	18	3,737	2,648
Taxes Licenses & Fees.....	1,313	270	0	0	0	86	16	76	592	272
General Expenses.....	11,373	2,798	0	1	4	779	115	502	4,643	2,530
Increase in Loading.....	<u>150</u>	<u>150</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses.....	21,702	5,084	0	1	4	1,418	175	597	8,973	5,450
Total Benefits & Expenses.....	45,886	10,822	44	86	4	3,208	576	2,474	19,772	8,900
Net Gain from Operations Before FIT	2,052	342	(0)	(10)	(3)	(360)	60	113	1,260	649
Federal Income Tax.....	647	161	0	(2)	0	(68)	13	29	359	156
Net Income.....	1,405	182	(0)	(8)	(3)	(292)	47	84	901	493

2022 Budget Summary
(in 1,000's)

	Line Of Business									
	Total	Ordinary Life	Exh. 7 Liabilities	Ordinary Annuities	Group Life	Group Dental	Other Group	Unlimited Cancer	Capped Cancer	Other Ind. A&H
Premium Income.....	44,173	8,080	0	21	1	3,012	508	2,491	20,736	9,325
Investment Income.....	5,085	3,002	44	53	0	(37)	101	65	1,354	503
Reinsurance Allowance.....	613	613	0	0	0	0	0	0	0	0
Other Income.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Income.....	49,871	11,696	44	73	1	2,975	609	2,556	22,090	9,827
Death Benefits.....	3,266	3,266	0	0	0	0	0	0	0	0
A&H Benefits.....	18,252	0	0	0	0	1,843	359	1,899	10,552	3,599
Accumulated Fund Payments.....	160	0	47	113	0	0	0	0	0	0
Surrender Benefits.....	1,140	1,140	0	0	0	0	0	0	0	0
Increase In Rsv. & Fund Accum.....	2,421	1,534	(3)	(31)	0	(0)	34	(27)	879	35
Policyholder Dividends.....	<u>10</u>	<u>10</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Policyholder Benefits.....	25,250	5,952	44	81	0	1,843	393	1,872	11,431	3,634
Commissions.....	9,291	1,968	0	0	0	580	41	17	3,909	2,776
Taxes Licenses & Fees.....	1,369	287	0	0	0	90	15	75	622	280
General Expenses.....	11,755	2,908	0	1	4	810	108	491	4,832	2,601
Increase in Loading.....	<u>160</u>	<u>160</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses.....	22,575	5,323	0	1	4	1,480	165	583	9,363	5,656
Total Benefits & Expenses.....	47,825	11,275	44	83	4	3,323	558	2,454	20,794	9,290
Net Gain from Operations Before FIT	2,046	421	(0)	(9)	(3)	(349)	52	102	1,295	537
Federal Income Tax.....	637	179	(0)	(2)	0	(66)	12	24	361	130
Net Income.....	1,409	242	(0)	(7)	(3)	(282)	40	78	934	407

2023 Budget Summary
(in 1,000's)

	Line Of Business									
	Total	Ordinary Life	Exh. 7 Liabilities	Ordinary Annuities	Group Life	Group Dental	Other Group	Unlimited Cancer	Capped Cancer	Other Ind. A&H
Premium Income.....	45,965	8,473	0	20	1	3,158	480	2,456	21,746	9,631
Investment Income.....	5,244	3,072	44	51	0	(48)	103	67	1,434	521
Reinsurance Allowance.....	660	660	0	0	0	0	0	0	0	0
Other Income.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Income.....	51,869	12,205	44	71	1	3,110	584	2,523	23,180	10,152
Death Benefits.....	3,406	3,406	0	0	0	0	0	0	0	0
A&H Benefits.....	18,864	0	0	0	0	1,905	356	1,889	10,965	3,748
Accumulated Fund Payments.....	155	0	47	108	0	0	0	0	0	0
Surrender Benefits.....	1,180	1,180	0	0	0	0	0	0	0	0
Increase In Rsv. & Fund Accum.....	2,664	1,531	(3)	(30)	0	(0)	23	(25)	1,110	58
Policyholder Dividends.....	<u>10</u>	<u>10</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Policyholder Benefits.....	26,279	6,127	44	78	0	1,905	380	1,864	12,075	3,805
Commissions.....	9,740	2,073	0	0	0	608	39	15	4,094	2,912
Taxes Licenses & Fees.....	1,428	303	0	0	0	95	14	74	652	289
General Expenses.....	12,238	3,036	0	1	4	849	103	485	5,060	2,699
Increase in Loading.....	<u>146</u>	<u>146</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses.....	23,551	5,559	0	1	4	1,552	156	573	9,806	5,900
Total Benefits & Expenses.....	49,830	11,686	44	79	4	3,457	536	2,438	21,881	9,706
Net Gain from Operations Before FIT	2,039	519	(0)	(9)	(3)	(347)	48	85	1,299	446
Federal Income Tax.....	633	202	(0)	(2)	0	(66)	10	19	359	111
Net Income.....	1,406	318	(0)	(7)	(3)	(281)	38	67	940	335

Chapter 4

General Methodology

4.1 Outline of Procedure

In determining an estimate of statutory income and expense items on Life of Alabama's in-force and projected new business for the Ordinary Life, Ordinary Annuity, Individual A&H, and Group A&H lines of business as of September 30, 2018, the following general procedures were used:

1. The total business in-force at September 30, 2018 and projected new business for the last quarter of 2018 and all of 2019 through 2023 was grouped into model plans.
2. For each model plan, a computer model was constructed which grouped the modeled life business by issue year, issue age, and sex and the modeled A&H business by issue year and issue age.
3. For each model plan, income and expenses were projected over five years using the assumptions described in Chapter 5.
4. Projected income and expense numbers generated for 2019 through 2023 were used in calculating the five-year budget.

In determining an estimate of statutory income and expense items on Life of Alabama's other lines of business, the following general procedures were used:

1. For the group life line of business, prior Annual Statements were analyzed. Income and expense items were trended forward for 2019 through 2023.
2. Investment income on Capital and Surplus was estimated and allocated across lines of business in proportion to other investment income.

4.2 Description of Inforce Model

A summary of the September 30, 2018 in-force business model is shown on the following pages.

		Traditional Life										
Model Plan	Plan Description	Actual Plans	Actual Inforce as of 9/30/2018				Modeled Inforce as of 9/30/2018					
			Record Count	Inforce (000's)	Statutory Reserve*	Annldz Premium	Record Count	Inforce (000's)	Statutory Reserve*	Annldz Premium		
WL163	Select Risk Whole Life	WL163, WL164, WL171, WLBIC, WLDSP, WLFSP, WLSAS	314	3,658	2,180,349	45,762	314	3,658	2,180,342	45,762		
WL104	Protector Whole Life (1958 CSO 3% Version)	R0060, R0071, R1010, R1300, R150A, RV513, RV514, RV510, RV511, RV517, WL100, WL101, WL102, WL104, WL105, WL115, WL150, WL158	580	4,230	2,447,828	77,117	580	4,230	2,447,830	77,117		
WL108	Protector Whole Life (1958 CSO 4.5% Version)	WL108	1,008	10,280	3,557,803	89,500	1,008	10,280	3,557,796	89,500		
WL142	Simplified Issue WL	WL142, WL143	9,061	269,431	14,288,133	3,932,822	9,061	269,431	14,288,117	3,932,819		
WL140	Protector Whole Life (1980 CSO 4.5% Version)	WL113, WL114, WL130, WL131, WL132, WL134, WL135, WL140, WL141	3,433	68,516	12,542,669	824,479	3,433	68,516	12,542,656	824,479		
WL165	Life Paid-Up at Age 65	R1140, WL111, WL112, WL165	5	25	14,002	275	5	25	14,002	275		
WL120	20 Pay Whole Life	R0570	17	26	10,649	312	17	26	10,649	312		
LOA Term	Opt Re Term 10, 15, 20 & 30 year	LT310, LT315, LT320, LT330, LT410, LT415, LT420, LT430	3,431	338,964	1,813,962	1,308,768	3,431	338,964	1,813,943	1,302,678		
DTA84	Term to Age 70	DIA25, DIA65, DIA82, DIA83, DTA84, LT265, DT701-DT744	78	47	2,496	1,925	78	47	2,492	1,284		
LT220	20 Year Term	LT220	806	68,508	1,208,212	290,739	806	68,508	1,208,200	290,739		
LT212	10 Year Term	LT211, LT212, LT213, LT207, WL115	1,110	103,187	1,585,924	863,527	1,110	103,187	1,585,928	863,527		
LT266	Level Term to Age 65	LT266	7	115	11,365	569	7	115	11,367	569		
R0020	Endowment at Age 65	EN355, EN366, R0002, R0006, R0020, RI465	5	111	98,152	1,729	5	111	98,151	1,729		
WL170	Whole Life (41CSO)	WL170, R1012	10	63	52,028	1,200	10	63	52,028	1,200		
Child Riders	Child Riders	CDB01, CDB02	1,300	38,623	38,706	121,285	1,300	38,623	38,623	121,285		
WLPAR	Participating Whole Life	WL900 - WL975, WLPFS	154	994	644,579	22,932	154	980	644,581	22,932		
Paid-Up	Paid-Up Life	All fully paid up and reduced paid up records	1,347	6,130	4,381,440		1,347	6,130	4,381,428			
ETI	Extended Term Insurance Deficiency Reserve	All ETI policies	1,268	32,356	1,074,107		1,268	32,356	1,074,120			
					239,567				240,922			
	Total - Direct Modeled Plans		23,934	945,263	46,191,971	7,582,941	23,934	945,249	46,193,174	7,576,207		
	Total - Reinsurance Modeled Plans				1,738,388				1,814,786			
	Total Modeled Net of Reinsurance		23,934	945,263	44,453,583	7,582,941	23,934	945,249	44,378,388	7,576,207		
	Total - Unmodeled Plans Net of Reinsurance		2,484	44,082	82,072	90,536						
	TOTAL LIFE NET OF REINSURANCE		26,418	989,346	44,535,655	7,673,477						

* Model Plan amounts are before reinsurance reserve credits.

Deferred Annuities

<u>Model Plan</u>	<u>Plan Description</u>	<u>Actual Plans</u>	<u>Actual Inforce as of 9/30/2018</u>		<u>Modeled Inforce as of 9/30/2018</u>	
			<u>Record Count</u>	<u>Statutory Reserve</u>	<u>Record Count</u>	<u>Statutory Reserve</u>
AN615	Rear-end Load Flex	AN615-619	41	324,166	41	324,166
AN665	Front-Load CWD	AN655-669	7	219,502	7	219,503
AN675	Front-Load APDA	AN675-679	75	579,406	75	579,403
SAB	Annuity Rider	SAB01-03	10	93,721	10	93,723
-	Immediate Annuities	-	8	283,108	8	283,108
TOTAL - Modeled Plans			141	1,499,903	141	1,499,903
TOTAL - Unmodeled Plans			-	-	-	-
TOTAL EXHIBIT 5B			141	1,499,903		

Exhibit 7 Liabilities

<u>Model Plan</u>	<u>Plan Description</u>	<u>Actual Plans</u>	<u>Actual Inforce as of 9/30/2018</u>		<u>Modeled Inforce as of 9/30/2018</u>	
			<u>Record Count</u>	<u>Statutory Reserve</u>	<u>Record Count</u>	<u>Statutory Reserve</u>
-	Dividend Accumulations	-	n/a	1,002,627	n/a	1,002,620
PDTA	Premium Deposit Fund	PDTA1	5	9,486	5	9,486
-	Supp Contracts Not Involving Life Contingencies	-	n/a	124,446	n/a	124,450
TOTAL - Modeled Plans			n/a	1,136,559	n/a	1,136,556
TOTAL - Unmodeled Plans			n/a	-		
TOTAL EXHIBIT 7			n/a	1,136,559		

Individual Accident & Health

Model Plan	Plan Description	Actual Plans	Record Count	Actual Inforce as of 9/30/2018			Modeled Inforce as of 9/30/2018			
				Policy Count	Statutory Reserve *	Annldz Premium	Record Count	Policy Count	Statutory Reserve *	Annldz Premium
1	Cancer - (Uncapped)	C13, C14, C22, C23, C27 C32, C33, C39, C59, C69	1,093	231 **	401,593	2,453,534	1,093	231 **	401,591	2,453,533
2	Cancer - (Capped)	All Other Cancer Codes except C53, C55, C62-C65	196,230	26,547	14,367,060	16,332,354	196,230	26,547	14,367,337	16,332,348
3	Accident	A19, A24, A34, A44, A52, A56	53,692	7,348	151,624	3,175,359	53,692	7,348	152,020	3,175,358
4	Intensive Care	IC14-IC23, I28-I55	15,684	508 **	514,501	1,204,983	15,684	508 **	514,514	1,204,983
5	Lump Sum (Cancer and Heart)	C53, C70, C72, H54, H71	2,819	2,819	3,558,883	1,059,580	2,819	2,819	3,558,898	1,059,580
7	Return of Premium	RP43	127	0 **	993,462	23,389	127	0 **	993,467	23,382
8	Other Indiv. A&H	D31, DI, H plans except H54, H71	21,097	6,034	1,239,892	3,092,258	21,095	6,032	1,240,001	3,091,265
9	Critical Illness	C88, H89	818	818	52,013	160,608	818	818	52,011	160,608
10	Tabular Error/Margin Adj.		n/a	n/a	3,396	n/a	n/a	n/a	0	n/a
TOTAL - Modeled Plans			291,560	44,305	21,282,424	27,502,065	291,558	44,303	21,279,838	27,501,056
TOTAL - Unmodeled Plans			-	-	-	-	-	-	-	-
TOTAL EXHIBIT 6A (IND A&H)			291,560	44,305	21,282,424	27,502,065				
TOTAL EXHIBIT 6B & EXHIBIT 8 (IND A&H)					4,456,676				4,456,677	

Group Accident & Health

Model Plan	Plan Description	Actual Plans	Record Count	Actual Inforce as of 9/30/2018			Modeled Inforce as of 9/30/2018			
				Policy Count	Statutory Reserve *	Annldz Premium	Record Count	Policy Count	Statutory Reserve *	Annldz Premium
1	Group Dental/Vision	D57, D60, V90	4,419	4,419	63	2,569,598	4,419	4,419	57	2,569,597
2	Other Group A&H	A58, R62, C55, C62, C63, C64, C65, I62, I64, I65, I66	2,727	1,096	1,254,294	490,788	2,727	1,096	1,254,326	490,924
TOTAL - Modeled Plans			7,146	5,515	1,254,357	3,060,386	7,146	5,515	1,254,383	3,060,521
TOTAL - Unmodeled Plans			-	-	-	-	-	-	-	-
TOTAL EXHIBIT 6A (GROUP A&H)			7,146	5,515	1,254,357	3,060,386				
TOTAL EXHIBIT 6B & EXHIBIT 8 (GROUP A&H)					181,956				181,956	

* Equals tabular reserve plus net unearned premium reserve.

** Includes both policies and riders.

Chapter 5
 Assumptions

5.1 Interest Rates

Net Earned Rate: 4.0%, in all years.

5.2 Mortality Rates (Based upon 2018 Study using 2010-2017 data, unless otherwise noted)

A. Traditional Life

WL142/WL143/WL1444

100% of the 2015 Valuation Basic ALB Select & Ultimate Mortality Table (M/F, NS/SM), adjusted for simplified underwriting as follows:

Policy Year	Issue Age						
	0-19	20-29	30-39	40-49	50-59	60-69	70-80
1	3.280	3.280	6.510	4.910	4.175	4.015	4.015
2	2.675	2.710	5.155	4.070	3.385	3.085	2.990
3	2.445	2.615	4.970	3.835	3.035	2.680	2.415
4	2.260	2.470	4.700	3.630	2.870	2.405	2.210
5	2.060	2.310	4.410	3.410	2.615	2.185	2.000
6	1.860	2.205	4.100	3.170	2.360	1.965	1.785
7	1.655	2.020	3.790	2.880	2.150	1.740	1.570
8	1.470	1.855	3.410	2.620	1.960	1.590	1.430
9	1.285	1.730	3.100	2.410	1.815	1.435	1.285
10	1.200	1.620	2.745	2.160	1.640	1.345	1.160
11	1.200	1.535	2.595	2.015	1.585	1.265	1.130
12	1.200	1.500	2.385	1.880	1.485	1.235	1.100
13	1.200	1.490	2.280	1.870	1.465	1.225	1.100
14	1.200	1.480	2.240	1.805	1.445	1.210	1.100
15	1.200	1.475	2.135	1.745	1.450	1.200	1.100
16	1.200	1.465	2.035	1.735	1.405	1.190	1.100
17	1.200	1.430	1.995	1.675	1.385	1.180	1.100
18	1.200	1.420	1.900	1.615	1.365	1.165	1.100
19	1.200	1.410	1.800	1.605	1.345	1.130	1.100
20	1.200	1.400	1.765	1.545	1.325	1.115	1.100
21	1.200	1.390	1.675	1.490	1.305	1.100	1.100
22	1.200	1.380	1.640	1.480	1.285	1.085	1.100
23	1.200	1.365	1.550	1.420	1.265	1.070	1.100
24	1.200	1.360	1.515	1.365	1.245	1.065	1.100
25	1.200	1.350	1.435	1.355	1.195	1.055	1.100
26+	1.200	1.350	1.350	1.300	1.200	1.050	1.100

5.2 Mortality Rates (Cont'd)

Optimum Re Term (LT300 and LT400 series plans)

100% of the 2015 Valuation Basic ALB Select & Ultimate Mortality Table (M/F, NS/SM), adjusted for simplified underwriting as follows:

Policy Year	Issue Age						
	0-19	20-29	30-39	40-49	50-59	60-69	70-80
1	2.920	2.920	3.285	3.285	3.285	3.575	3.575
2	2.810	2.845	3.065	3.210	3.140	3.240	3.140
3	2.665	2.845	3.065	3.140	2.920	2.920	2.630
4	2.535	2.775	2.995	3.065	2.845	2.700	2.480
5	2.410	2.700	2.920	2.995	2.700	2.555	2.335
6	2.280	2.700	2.845	2.920	2.555	2.410	2.190
7	2.120	2.585	2.800	2.800	2.445	2.225	2.010
8	1.965	2.475	2.685	2.685	2.335	2.120	1.910
9	1.810	2.435	2.645	2.645	2.295	2.015	1.810
10	1.660	2.395	2.530	2.530	2.190	1.985	1.710
11	1.615	2.285	2.490	2.420	2.150	1.885	1.680
12	1.585	2.245	2.380	2.315	2.050	1.850	1.585
13	1.560	2.145	2.305	2.275	1.950	1.755	1.495
14	1.530	2.105	2.235	2.170	1.915	1.725	1.465
15	1.505	2.005	2.130	2.065	1.880	1.630	1.440
16	1.475	1.970	2.030	2.030	1.785	1.600	1.415
17	1.450	1.870	1.990	1.930	1.690	1.510	1.390
18	1.420	1.775	1.895	1.835	1.660	1.480	1.360
19	1.395	1.740	1.800	1.800	1.565	1.395	1.275
20	1.365	1.650	1.765	1.705	1.535	1.310	1.250
21	1.340	1.615	1.670	1.615	1.450	1.280	1.225
22	1.310	1.585	1.640	1.585	1.420	1.200	1.200
23	1.285	1.495	1.550	1.495	1.335	1.175	1.175
24	1.255	1.465	1.515	1.410	1.310	1.150	1.150
25	1.230	1.380	1.430	1.380	1.230	1.075	1.125
26+	1.200	1.350	1.350	1.300	1.200	1.050	1.100

5.2 Mortality Rates (Cont'd)

All Other Premium Paying WL and Term

100% of the 2015 Valuation Basic ALB Select & Ultimate Mortality Table (M/F, NS/SM), adjusted for simplified underwriting as follows:

Policy Year	Issue Age						
	0-19	20-29	30-39	40-49	50-59	60-69	70-80
1	2.000	2.000	2.250	2.250	2.250	2.450	2.450
2	1.923	1.950	2.100	2.200	2.150	2.220	2.150
3	1.825	1.950	2.100	2.150	2.000	2.000	1.800
4	1.738	1.900	2.050	2.100	1.950	1.850	1.700
5	1.650	1.850	2.000	2.050	1.850	1.750	1.600
6	1.563	1.850	1.950	2.000	1.750	1.650	1.500
7	1.475	1.800	1.950	1.950	1.700	1.550	1.400
8	1.388	1.750	1.900	1.900	1.650	1.500	1.350
9	1.300	1.750	1.900	1.900	1.650	1.450	1.300
10	1.213	1.750	1.850	1.850	1.600	1.450	1.250
11	1.200	1.700	1.850	1.800	1.600	1.400	1.250
12	1.200	1.700	1.800	1.750	1.550	1.400	1.200
13	1.200	1.650	1.750	1.750	1.500	1.350	1.150
14	1.200	1.650	1.750	1.700	1.500	1.350	1.150
15	1.200	1.600	1.700	1.650	1.500	1.300	1.150
16	1.200	1.600	1.650	1.650	1.450	1.300	1.150
17	1.200	1.550	1.650	1.600	1.400	1.250	1.150
18	1.200	1.500	1.600	1.550	1.400	1.250	1.150
19	1.200	1.500	1.550	1.550	1.350	1.200	1.100
20	1.200	1.450	1.550	1.500	1.350	1.150	1.100
21	1.200	1.450	1.500	1.450	1.300	1.150	1.100
22	1.200	1.450	1.500	1.450	1.300	1.100	1.100
23	1.200	1.400	1.450	1.400	1.250	1.100	1.100
24	1.200	1.400	1.450	1.350	1.250	1.100	1.100
25	1.200	1.350	1.400	1.350	1.200	1.050	1.100
26+	1.200	1.350	1.350	1.300	1.200	1.050	1.100

5.2 Mortality Rates (Cont'd)

Paid Up & ETI: 100% of the 2015 Valuation Basic ALB Select & Ultimate Mortality Table (M/F, NS/SM)

Annuity: None. Mortality is included in lapse rates.

Exh 7: None. Mortality is included in lapse rates.

Actual-to-Expected factors:	All Years
WL142, WL143, WL144	100.0%
LT220	95.0%
LT300's, LT400's	100.0%
All Other Whole Life	139.0%
All Other Term	124.0%
Paid up & ETI	100.0%

B. A&H

All A&H: Included in lapse rate shown below

5.3 A&H Claim Costs & Trend Assumptions

A. New Business

Pricing Loss Ratio Assumptions

B. In-force Business

Assumptions	Individual A&H						
	Uncapped Cancer*	Inactive Capped Cancer	Current Capped Cancer	Intensive Care	Accident	Lumpsum Heart	Lumpsum Cancer
Beg. Loss Ratio:	80.0%	75.0%	45.0%	30.0%	35.0%	35.0%	30.0%
Total Trend:							
2019	11.0%	5.0%	5.0%	4.0%	4.0%	3.0%	3.0%
2020	11.0%	5.0%	5.0%	4.0%	4.0%	3.0%	3.0%
2021	11.0%	5.0%	5.0%	4.0%	4.0%	3.0%	3.0%
2022	11.0%	5.0%	5.0%	4.0%	4.0%	3.0%	3.0%
2023	11.0%	5.0%	5.0%	4.0%	4.0%	3.0%	3.0%
Rate Increase**:							
2019	15.0%	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2020	15.0%	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2021	10.0%	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2022	10.0%	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2023	10.0%	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%

* The actual trend and rate increases are higher. However, lapse rates are a function of premium per policy. The higher premium policies lapse at a higher rate than lower premium policies. Since higher premium policies generally have higher claim costs (e.g., family coverage and older ages), the actual increase in loss

** Rate increases are assumed effective on the policy anniversary date for all rate increases.

5.3 A&H Claim Costs & Trend Assumptions (Cont'd)

<u>Assumptions</u>	<u>Individual A&H</u>		<u>Group A&H</u>	
	<u>Disability</u>	<u>Hospital Indemnity</u>	<u>Dental/Vision</u>	<u>Other Group</u>
Beg. Loss Ratio:	50.0%	35.0%	65.0%	75.0%
Total Trend:				
2019	4.0%	3.0%	5.0%	5.0%
2020	4.0%	3.0%	5.0%	5.0%
2021	4.0%	3.0%	5.0%	5.0%
2022	4.0%	3.0%	5.0%	5.0%
2023	4.0%	3.0%	5.0%	5.0%
Rate Increase*:				
2019	0.0%	0.0%	5.0%	10.0%
2020	0.0%	0.0%	5.0%	10.0%
2021	0.0%	0.0%	5.0%	10.0%
2022	0.0%	0.0%	5.0%	0.0%
2023	0.0%	0.0%	5.0%	0.0%

* Rate increases are assumed effective on the policy anniversary date for all rate increases.

5.4 Lapse Rates (Based upon 2016 Study using 2012-2015 data, unless otherwise noted)

A. Ordinary Life Plans

WL142, WL143 and WL144:

<u>Policy Year</u>	<u>Issue Age</u>		
	<u>0-39</u>	<u>40-49</u>	<u>50+</u>
1	30.0%	28.0%	18.0%
2	17.0%	16.0%	10.0%
3	13.0%	10.0%	6.0%
4	9.0%	9.0%	6.0%
5	8.0%	8.0%	6.0%
6	7.0%	7.0%	5.0%
7	7.0%	7.0%	4.0%
8	7.0%	7.0%	4.0%
9	7.0%	7.0%	4.0%
10+	7.0%	7.0%	4.0%

LT220

<u>Policy Year</u>	<u>Issue Age</u>		
	<u>0-39</u>	<u>40-49</u>	<u>50+</u>
1			
2			
3			
4	17.0%	10.0%	9.0%
5	10.0%	9.0%	9.0%
6	9.0%	9.0%	9.0%
7	8.0%	8.0%	6.0%
8	5.0%	8.0%	6.0%
9	5.0%	7.0%	6.0%
10-19	5.0%	7.0%	6.0%
20	100.0%	100.0%	100.0%

5.4 Lapse Rates (Cont'd)

<u>Policy Year</u>	<u>DTA84 & LT212*</u>	<u>All Other Prem Pay Whole Life</u>	<u>All Other Prem Pay Term Life</u>	<u>Paid-Up</u>	<u>ETI</u>
1			30.0%	2.5%	0.0%
2			16.0%	2.5%	0.0%
3			14.0%	2.5%	0.0%
4	25.0%		12.0%	2.5%	0.0%
5	15.0%		10.0%	2.5%	0.0%
6	10.0%		9.0%	2.5%	0.0%
7	10.0%	8.0%	8.0%	2.5%	0.0%
8	8.0%	7.0%	7.0%	2.5%	0.0%
9	8.0%	5.0%	6.0%	2.5%	0.0%
10+	6.0%	4.0%	5.0%	2.5%	0.0%

* Policy year 10: 50%, Policy year 20: 80% lapse rates.

Optimum Re Term (LT300's, LT400's):

<u>Duration</u>	<u>Initial Term Period</u>				
	<u>10 Yr</u>	<u>15 Yr</u>	<u>20 Yr</u>	<u>30 Yr</u>	
1	30.0%	30.0%	30.0%	30.0%	
2	20.0%	20.0%	20.0%	20.0%	
3	15.0%	15.0%	15.0%	15.0%	
4	10.0%	10.0%	10.0%	10.0%	
5	9.0%	9.0%	9.0%	9.0%	
6	9.0%	9.0%	9.0%	9.0%	
7 to EITP	9%	9%	9%	9%	
EITP +1	70%	80%	90%	100%	
EITP +2	50%	35%	20%	0%	
EITP +3	12%	15%	15%	0%	
EITP +4	10%	10%	10%	0%	
EITP +5+	9%	9%	9%	0%	
Iss Age =	<u>18-29</u>	<u>30-39</u>	<u>40-49</u>	<u>50-59</u>	<u>60-65</u>
Factor	115%	107.5%	95%	85%	75%

B. Annuity and Exhibit 7

<u>Policy Year</u>	<u>Lapse Rate</u>				
	<u>Coupon</u>	<u>Dividend</u>	<u>PDTA</u>	<u>SCWOLC</u>	<u>All Others</u>
All	3.0%	5.0%	5.0%	4.0%	6.0%

5.4 Lapse Rates (Cont'd)

C. A&H *

Individual A&H - Issue Ages 0-39					
<u>Policy Year</u>	<u>Capped Cancer</u>	<u>Unlimited Cancer **</u>	<u>Intensive Care</u>	<u>Accident</u>	<u>Disability</u>
1	32%	10%	32%	45%	45%
2	21%	10%	21%	30%	35%
3	18%	10%	18%	25%	25%
4	15%	10%	15%	24%	22%
5	11%	10%	11%	20%	20%
6	9%	10%	9%	15%	18%
7	9%	10%	9%	15%	18%
8	9%	10%	9%	15%	18%
9	7%	10%	7%	10%	17%
10	6%	10%	6%	9%	16%
11	6%	10%	6%	9%	16%
12-19	6%	10%	6%	9%	16%
20+	6%	10%	6%	9%	16%

Individual A&H - Issue Ages 40-49					
<u>Policy Year</u>	<u>Capped Cancer</u>	<u>Unlimited Cancer **</u>	<u>Intensive Care</u>	<u>Accident</u>	<u>Disability</u>
1	26%	10%	26%	35%	35%
2	16%	10%	16%	25%	25%
3	13%	10%	13%	20%	20%
4	11%	10%	11%	15%	18%
5	9%	10%	9%	15%	18%
6	8%	10%	8%	12%	16%
7	8%	10%	8%	12%	15%
8	8%	10%	8%	12%	15%
9	6%	10%	6%	9%	15%
10	6%	10%	6%	9%	15%
11	6%	10%	6%	9%	15%
12-19	6%	10%	6%	9%	15%
20+	6%	10%	6%	9%	15%

Individual A&H - Issue Ages 50+					
<u>Policy Year</u>	<u>Capped Cancer</u>	<u>Unlimited Cancer **</u>	<u>Intensive Care</u>	<u>Accident</u>	<u>Disability</u>
1	16%	10%	16%	30%	30%
2	10%	10%	10%	20%	25%
3	9%	10%	9%	19%	20%
4	8%	10%	8%	15%	18%
5	7%	10%	7%	15%	18%
6	7%	10%	7%	12%	18%
7	6%	10%	6%	12%	18%
8	6%	10%	6%	12%	18%
9	6%	10%	6%	12%	18%
10	6%	10%	6%	8%	18%
11	6%	10%	6%	8%	18%
12-19	6%	10%	6%	8%	18%
20+	6%	10%	6%	8%	18%

5.4 Lapse Rates (Cont'd)

Individual A&H - Issue Ages 0-39					
Policy Year	HIP	Critical Illness ***		Lump sum	Ret Prem
		Cancer (C88)	Heart (H89)		
1	50%	37%	49%	20%	35%
2	45%	23%	26%	20%	18%
3	25%	17%	19%	15%	13%
4	20%	15%	17%	10%	10%
5	15%	14%	15%	10%	9%
6	10%	12%	13%	10%	8%
7	8%	11%	12%	8%	7%
8	7%	10%	11%	8%	6%
9	6%	9%	10%	8%	5%
10	6%	9%	10%	6%	4%
11	6%	9%	10%	6%	3%
12-19	6%	9%	10%	6%	2%
20+	6%	9%	10%	6%	100%

Individual A&H - Issue Ages 40-49					
Policy Year	HIP	Critical Illness ***		Lump sum	Ret Prem
		Cancer (C88)	Heart (H89)		
1	30%	30%	33%	15%	35%
2	25%	17%	20%	15%	18%
3	20%	12%	14%	15%	13%
4	15%	11%	13%	10%	10%
5	12%	10%	11%	10%	9%
6	8%	8%	10%	8%	8%
7	8%	8%	9%	8%	7%
8	8%	7%	8%	8%	6%
9	8%	7%	8%	7%	5%
10	8%	7%	8%	6%	4%
11	8%	7%	8%	6%	3%
12-19	8%	7%	8%	6%	2%
20+	8%	7%	8%	6%	100%

Individual A&H - Issue Ages 50+					
Policy Year	HIP	Critical Illness ***		Lump sum	Ret Prem
		Cancer (C88)	Heart (H89)		
1	30%	19%	35%	13%	35%
2	25%	10%	13%	13%	18%
3	20%	8%	10%	13%	13%
4	15%	7%	9%	10%	10%
5	10%	6%	8%	10%	9%
6	8%	5%	7%	8%	8%
7	6%	5%	6%	8%	7%
8	6%	4%	6%	8%	6%
9	6%	4%	5%	7%	5%
10	6%	4%	5%	7%	4%
11	6%	4%	5%	6%	3%
12-19	6%	4%	5%	6%	2%
20+	6%	4%	5%	6%	100%

* Termination rates used is the greater of the above lapse rates and 100% of the 2015 VBT ALB.

** Lapse rates for the Unlimited Cancer are model year lapse rates.

*** Lapse rates for Critical Illness are total termination rates and include mortality. Based upon pricing assumptions adjusted for current experience..

5.4 Lapse Rates (Cont'd)

C. A&H* (Continued)

Policy Year	Group A&H					
	Issue Ages 0-39		Issue Ages 40-49		Issue Ages 50+	
	Dental	Other	Dental	Other	Dental	Other
1	40%	4%	40%	4%	40%	3%
2	30%	4%	30%	4%	30%	3%
3	20%	4%	20%	4%	20%	3%
4	20%	4%	20%	4%	20%	3%
5	20%	4%	20%	4%	20%	3%
6	20%	4%	20%	4%	20%	3%
7	20%	4%	20%	4%	20%	3%
8	20%	4%	20%	4%	20%	3%
9	20%	4%	20%	4%	20%	3%
10+	20%	4%	20%	4%	20%	3%
Att Age 65	85%		85%		85%	

* Termination rates used is the greater of the above lapse rates and 100% of the 2015 VBT ALB.

5.5 Commissions

Commissions shown are the top level commissions for the primary representative product within a line of business.

A. Life

Policy Year	Optimum Re					All Other
	WL142	LT220	Term	Life	Annuities	
1	100.0%	95.0%	95.0%	90.0%	10.0%	
2	15.0%	8.0%	8.0%	15.0%	0.0%	
3	10.0%	6.0%	6.0%	10.0%	0.0%	
4-10	10.0%	6.0%	6.0%	9.0%	0.0%	
11+	4.0%	3.0%	3.0%	3.0%	0.0%	

The following Commission Adjustments were made as an Actual/Expected adjustment based upon 2016-2017 commissions paid.

Policy Year	Optimum Re			All Other Life		
	WL142	LT220	Term	Term	WL	Annuities
FY	100.0%	100.0%	95.0%	100.0%	100.0%	100.0%
RY	94.0%	100.0%	85.0%	120.0%	90.0%	100.0%

B. A&H*

Inforce

Policy Year	Old Capped Can (Age Banded)			Old Capped Can (One Prem All Ages)		
	Iss. Ages	Iss. Ages	Iss. Ages	Iss. Ages	Iss. Ages	Iss. Ages
	0-39	40-49	50+	0-39	40-49	50+
1	95.0%	90.0%	45.0%	65.0%	65.0%	32.5%
2	23.0%	23.0%	15.0%	30.0%	30.0%	15.0%
3-10	22.0%	22.0%	14.0%	30.0%	30.0%	15.0%
11+	21.0%	21.0%	13.0%	20.0%	20.0%	10.0%

Policy Year	New Capped Can (C75)		Unlimited	Intensive
	Age Banded	One Prem		
	Premiums	All Ages		
1	95.0%	65.0%	0.8%	85.0%
2	23.0%	30.0%	0.8%	23.0%
3-10	22.0%	30.0%	0.8%	22.0%
11+	21.0%	30.0%	0.8%	21.0%

5.5 Commissions (Cont'd)

B. A&H (Continued)*

Policy Year	LS Heart & LS Cancer			Other Individual		
	<u>Iss. Ages</u> 0-39	<u>Iss. Ages</u> 40-49	<u>Iss. Ages</u> 50+	<u>Iss. Ages</u> 0-39	<u>Iss. Ages</u> 40-49	<u>Iss. Ages</u> 50+
1	95.0%	90.0%	45.0%	90.0%	90.0%	40.0%
2	23.0%	23.0%	13.0%	18.0%	18.0%	11.5%
3-10	22.0%	22.0%	12.0%	16.0%	16.0%	11.0%
11+	21.0%	21.0%	11.0%	15.0%	15.0%	10.5%

Policy Year	Critical Illness			Group <u>Dental/Vision</u>	Other <u>Group</u>
	<u>GI</u>	<u>EZ/Simplified</u>	<u>Fully U/W</u>		
1	25.0%	35.0%	90.0%	20.0%	25.0%
2	25.0%	25.0%	15.0%	20.0%	25.0%
3-10	25.0%	25.0%	10.0%	20.0%	25.0%
11+	25.0%	25.0%	10.0%	20.0%	25.0%

New Business

Policy Year	New Capped Can (C75)			
	Age Banded <u>Premiums</u>	One Prem <u>All Ages</u>	<u>Accident</u>	<u>Other A&H</u>
1	95.0%	65.0%	85.0%	65.0%
2	23.0%	30.0%	23.0%	21.0%
3-10	22.0%	30.0%	22.0%	20.0%
11+	21.0%	30.0%	21.0%	19.0%

Policy Year	Group <u>Dental/Vision</u>	Critical Illness		
		<u>GI</u>	<u>EZ/Simplified</u>	<u>Fully U/W</u>
1	20.0%	25.0%	35.0%	90.0%
2	20.0%	25.0%	25.0%	15.0%
3-10	20.0%	25.0%	25.0%	10.0%
11+	20.0%	25.0%	25.0%	10.0%

* A&H renewal commissions not paid on rate increases except for Group Dental. The commissions above are applied to commissionable premiums as of the valuation date. Effective commissions are shown for Unlimited Cancer.

The following Commission Adjustments were made to take into account rate increases on certain policies within the line of business as well as an Actual/Expected adjustment based upon 2016-2017 commissions paid.

<u>Policy Year</u>	<u>Capped Can</u>	<u>Unl. Cancer</u>	<u>Accident</u>	<u>ICU</u>	<u>LS/CI</u>	<u>Disability</u>	<u>HIP</u>
FY	59.0%	530.0%	90.0%	65.0%	80.0%	80.0%	85.0%
RY	100.0%	135.0%	100.0%	85.0%	85.0%	130.0%	120.0%

<u>Policy Year</u>	Group <u>Dental/Vision</u>	Other <u>Group</u>
FY	92.5%	255.0%
RY	97.5%	45.0%

5.6 Expenses

Issue Costs	Percentage of Submitted Premium		
	Marketing	Other	Total
Life	16.5%	14.0%	30.5%
Ind Health (Underwriter)	16.5%	10.0%	26.5%
Ind Health (no U/W)	16.5%	5.0%	21.5%
Group Health	16.5%	5.0%	21.5%

Maintenance	10.00	Per Policy (non-dental policies)
	0.00	Per Policy (dental policies)
Overhead	17.5%	Percentage of Collected Premium (Except paid up policies)
	65.00	Per Policy (Paid up policies)
TLF (incl. Prem Tax)	3.0%	Percentage of Collected Premium
Surrender Expense	25.00	Per Surrender
Annuity Expense	25.00	Per Annuitization
Claims Expense	2.5%	Percentage of Health Claims Paid
	350.00	Per Life Claim Yrs 1-2
	150.00	Per Life Claim Yrs 3+
Investment Expense	0.4%	Invested Assets

5.7 Other Assumptions

A. Non Forfeiture Options

Assumed only cash surrenders occur.

B. Reinsurance

LT212: 50% Coinsurance with retention not to exceed \$50,000.
Reinsurance allowances: 100% first year, then 10%.
Modeling adjustment use 52.5% Coinsurance.

LT220: YRT Reinsurance above retention limit of \$75,000.

Optimum Re Term, LT300's and LT400's Series: 50% Coinsurance 1st-Dollar, with retention not to exceed \$100,000.
Policy fee not reinsured
Allowances as follows:

Duration	Initial Term Period			
	10 Yr	15 Yr	20 Yr	30 Yr
1	100%	100%	100%	100%
2	35%	35%	55%	55%
3-10	12%	17%	30%	30%
11+	12%	12%	12%	12%

C. Federal Income Tax

22% increasing 1% per year

D. 1990 DAC Tax

	Percent of Premium
Ind. Life and all A&H	7.70%
Annuity	1.75%
Group Life	2.05%

Amortize over 5 years

5.7 Other Assumptions (Cont'd)

E. Reserve Methods

Traditional Life:	Mean reserves
Annuity & Exh 7:	Fund value
Individual A&H:	Net unearned premium plus tabular reserve
Group A&H:	Gross unearned premium unless guaranteed renewable, then net unearned premium plus tabular reserve.

F. Modal Frequency

All premium paying policies assumed to use either monthly or annual mode.

G. Policy Loans

Not considered

H. Credited Interest Rates

Annuities:	All plans modeled at guaranteed interest rate, ranging from 3-4%.
Deposit Funds:	4.0% on entire fund value
Dividend Accum's:	4.0% on entire fund value
Coupon Accum's:	4.0% on entire fund value

5.8 Future New Business Production Assumptions

<u>Line of Business</u>	Not Taken Rate Applied <u>in Model</u>	<u>Annualized Premium Submitted (in 1,000's)</u>					
		<u>4Q 2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Whole Life	25%	260	1,145	1,202	1,262	1,325	1,392
Term Life	25%	205	900	945	992	1,042	1,094
Capped Cancer	5%	465	1,950	2,048	2,150	2,257	2,370
Accident Disability (A35)	5%	260	1,100	1,155	1,213	1,273	1,337
Group Dental/Vision	15%	220	925	971	1,020	1,071	1,124
Disability (D75)	10%	225	975	1,024	1,075	1,129	1,185
Hospital Indemnity	5%	45	220	240	250	265	280
Critical Illness - Cancer	10%	10	40	45	45	45	45
Critical Illness - Heart	25%	10	50	55	60	65	70
Total		1,700	7,305	7,685	8,067	8,473	8,897

* Last quarter of 2018 only.

Disability and Hospital Indemnity make up what has previously been called Other A&H
Model should reflect issuing the number in the chart (so expenses are correct) and then adjust for not taken rates.

Chapter 6

Model Validation

6.1 Initial Values

Initial Values as of September 30, 2018 -

Model Plan		Count	Face Amount (In \$1,000's)	Statutory Reserve
Ordinary Life	Actual	26,418	989,346	44,535,655 *
	Model	23,934	945,249	44,378,388 *
	M/A Ratio	90.6%	95.5%	99.6%
Exhibit 7	Actual	n/a	n/a	1,136,559
	Model	n/a	n/a	1,136,556
	M/A Ratio	n/a	n/a	100.0%
Deferred Annuities	Actual	141	n/a	1,499,903
	Model	141	n/a	1,499,903
	M/A Ratio	100.0%	n/a	100.0%
Unlimited Cancer	Actual	1,093	n/a	985,341 **
	Model	1,093	n/a	985,339 **
	M/A Ratio	100.0%	n/a	100.0%
Capped Cancer	Actual	196,230	n/a	14,367,060 **
	Model	196,230	n/a	14,367,337 **
	M/A Ratio	100.0%	n/a	100.0%
Individual A&H	Actual	94,237	n/a	10,386,699 **
	Model	94,235	n/a	10,383,839 **
	M/A Ratio	100.0%	n/a	100.0%
Group Dental	Actual	4,419	n/a	101,233 **
	Model	4,419	n/a	101,227 **
	M/A Ratio	100.0%	n/a	100.0%
Other Group	Actual	2,727	n/a	1,335,080 **
	Model	2,727	n/a	1,335,112 **
	M/A Ratio	100.0%	n/a	100.0%
TOTAL MODELED BUSINESS	Actual	325,265	989,346	74,347,530
	Model	322,779	945,249	74,187,701
	M/A Ratio**	99.2%	95.5%	99.8%

* Exhibit 5A, 5D and 5E reserves (ADB and Waiver of Premium are not modeled)

** Includes Exhibit 6A tabular plus unearned net premium and Exhibit 6B and Exhibit 8 claim liabilities

6.2 Actual versus Projected Analysis

	Actual			Projected					
	2015	2016	2017	2018*	2019	2020	2021	2022	2023
Premium Income	36,313,370	36,013,266	36,666,687	37,340,555	39,044,987	41,169,792	42,999,552	44,786,514	46,625,393
Investment Income	5,074,714	5,482,319	5,279,672	4,754,103	4,684,358	4,802,541	4,938,553	5,084,685	5,243,888
Other Income	<u>16,559</u>	<u>114,645</u>	<u>85,743</u>	<u>36,569</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Income	41,404,643	41,610,230	42,032,102	42,131,226	43,729,344	45,972,333	47,938,105	49,871,199	51,869,281
Death Benefits	3,239,306	2,820,754	2,592,533	3,187,569	2,966,362	2,926,729	3,111,226	3,266,424	3,406,148
A&H Benefits	16,202,132	15,371,374	15,387,558	16,555,683	17,010,814	17,236,511	17,719,095	18,251,550	18,863,519
Accumulated Fund Payments	212,099	180,612	164,003	72,317	174,807	169,502	164,168	159,729	155,270
Surrender Benefits	822,966	825,446	833,035	1,067,882	1,038,468	1,016,110	1,087,124	1,140,385	1,180,026
Increase In Rsv & Fund Accum	1,578,843	1,399,098	1,711,860	2,090,362	1,731,994	1,945,434	2,091,369	2,421,395	2,664,315
Policyholder Dividends	<u>12,961</u>	<u>11,452</u>	<u>11,452</u>	<u>11,297</u>	<u>13,150</u>	<u>12,223</u>	<u>11,328</u>	<u>10,467</u>	<u>9,642</u>
Total Policyholder Benefits	22,068,307	20,608,736	20,700,441	22,985,110	22,935,595	23,306,509	24,184,311	25,249,950	26,278,919
Commissions	6,839,254	6,899,348	7,302,359	7,885,874	8,071,771	8,470,658	8,867,045	9,290,805	9,740,065
Taxes Licenses & Fees	1,023,389	1,042,287	1,255,357	1,079,428	1,191,154	1,255,920	1,312,642	1,368,925	1,427,627
General Expenses	8,859,834	9,920,324	10,217,839	11,045,471	10,491,656	10,996,881	11,372,639	11,755,211	12,237,637
Increase in Loading	<u>28,354</u>	<u>36,124</u>	<u>135,315</u>	<u>175,702</u>	<u>152,296</u>	<u>142,895</u>	<u>149,746</u>	<u>160,191</u>	<u>146,138</u>
Total Expenses	16,750,831	17,898,083	18,910,870	20,186,476	19,906,877	20,866,354	21,702,072	22,575,132	23,551,467
Total Benefits & Expenses	38,819,138	38,506,819	39,611,311	43,171,585	42,842,472	44,172,863	45,886,383	47,825,082	49,830,386
Net Gain from Operations Before FIT	2,585,505	3,103,411	2,420,791	(1,040,359)	886,872	1,799,470	2,051,722	2,046,117	2,038,895

*Actual Q1-Q3 2018 plus projected Q4 2018