Dear Life Insurance Company of Alabama ("LICOA") Shareholder,

In a recent letter to shareholders LICOA Chairman Clarence Daugette wrote about his three decisions that have significantly increased the expenses of our company. This included two major expenditures with long term significance: a computer system upgrade and a renovation of his headquarters. These outlays appear to do nothing to enhance profitability since he said that "management has taken steps to review expenses and make cuts" in order to "offset" these expenditures.

Why were these projects undertaken if they do not themselves improve our company's business prospects and earnings power? Is this an economic "death spiral" where the business is spending more just to run in place? Why did management wait until now to make the "offsetting" reductions in expense? What exactly is being cut – is it "fat" or "flesh"? If Mr. Daugette is frugal, then why did we find a line item of $4,787 for a "desk chair" for him as part of the expenses for furnishings of the executive offices?

Over the three years from 2017-2019, LICOA earned only $856,126 on average per year. The return on equity that we shareholders are getting is barely 2%. The investments that LICOA owns earn more than this – they had net investment income of $4.6 million on a $101 million bond portfolio last year. So our capital has been leveraged by a factor of 2.5 to one, only for our return to be lower than the underlying investments. We are taking more risk and getting less reward – a totally unacceptable tradeoff.

Our company's deteriorating results are not just a fluke as Mr. Daugette's letter would have us believe but are part of a trend driven by mismanagement and unfair insider compensation. The State of Alabama insurance regulators have noted "an issue with nepotism" at LICOA in the past. They cautioned that it was "imperative that the Company avoid the appearance of impropriety with the payment of salaries to family members". I have now obtained specific details of these payments. On the next page of this mailing is a chart that will show how compensation to a group of related insiders has gone up even while our company's income has fallen.

A new group of shareholders has just filed its own suit against LICOA and its management in the United States District Court for the Northern District of Alabama. Among other things, they are asking the Court to dissolve LICOA on the grounds of "illegal, oppressive, and fraudulent conduct."

Now that shareholders are mustering a response against management, we have the chance to try to achieve a better outcome for our investment. In March, the board of LICOA offered my investment partnership $25 per share for our LINSA class shares. However, I believe a far better outcome would be a sale of LICOA.

As of the end of the first quarter of 2020, LICOA had capital and surplus of $40 million which is $38.66 per LINSA class share. (Remember that LINS shares have five times the economic interest of the LINSA shares.) I would like to see whether an acquirer would pay even more than this.

Please contact me if you would like to see copies of the lawsuits that have been filed against LICOA in these cases or if you would like to discuss these concerns. You can reach me at (480) 463-4508. There is also a website with important information at: http://www.licoashareholders.com.

Sincerely your fellow LICOA shareholder,

Colin Peterson
Trondheim Capital Partners, L.P.

LICOA's "Family Tree"

Clarence Daugette has two brothers-in-law, and they both work for LICOA: Marvin Lowe and Raymond Renfrow. Rosalie Renfrow Causey is Mr. Renfrow's daughter, and she and her husband Michael Causey work for LICOA too. The economic incentives of this group of relatives are different than other shareholders', because they are still paid handsomely even when the company does poorly.

	2015	2016	2017	2018	1H 2019
Clarence William Daugette, III.	370,173	354,793	361,377	351,030	187,936
Marvin Lynn Lowe	369,474	354,093	360,676	350,194	187,056
Raymond Rudolph Renfrow, Jr.	369,474	354,093	360,676	350,194	187,056
Rosalie Renfrow Causey	105,970	116,239	119,956	326,637	187,056
Michael P. Causey	101,262	122,535	124,879	123,637	76,096
Insider Compensation	1,316,353	1,301,753	1,327,564	1,501,692	825,200
LICOA Net Income	2,835,046	2,199,784	2,172,861	276,302	-1,291,506
LICOA Net Income Before Insider Compensation	4,151,399	3,501,537	3,500,425	1,777,994	-466,306
Insider % of Net Income Before Insider Compensatior	32%	37%	38%	84%	

The share of LICOA net income being paid to these five insiders was rising even as our company's results were deteriorating in recent years. During the first half of 2019, LICOA lost money, but on an annualized basis these five were on track to receive more compensation than ever.

Notice that even though Mr. Daugette is the Chairman, his brothers-in-law were paid almost exactly the same amount as him, and now his niece is too. What kind of company pays four people of varying tenure, title, and seniority virtually identical amounts? And if this is truly a genetically gifted family of insurance all-stars, then why does our insurance company do so poorly? It is fine if a group of relatives who own a family business want to hire each other and split the profits equally. But LICOA is not a family business. Outside shareholders own more of LICOA than these five individuals.

Insider	LINS – 2019	LINSA – 2019
Clarence Daugette	21,221	33,093
Anne Renfrow	12,743	24,875
Alburta Lowe	12,632	22,712
Raymond Renfrow	3,711	1,617
M. Lynn Lowe	2,052	3,795
Rosalie Renfrow	265	3,371
Total	52,624	89,463
Outstanding	87,563	595,179
Ownership	60%	15%

Owning 60% of the LINS shares and 15% of the LINSA shares gives this group of relatives control of our company, but their economic interest is only 34% of the company. Even when LICOA made $2.8 million in 2015, their salary and bonus compensation was a much larger source of income for them than their share of our company's profits.