

## Life Insurance Company of Alabama

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**AMB #:** 006637

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[Best's Credit Rating Methodology](#) | [Disclaimer](#) | [Best's Credit Rating Guide](#)

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## Life Insurance Company of Alabama

### Credit Report

**Report Release Date:**

March 15, 2018

**Rating Effective Date:**

March 1, 2018

**Disclosure Information:** View A.M. Best's Rating Disclosure Form

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**Ultimate Parent:** N/A

**A.M. Best Rating Unit:** 006637 - Life Insurance Company of Alabama

### Best's Credit Ratings:

Rating Effective Date: March 1, 2018

<b>Best's Financial Strength Rating:</b>	B++	<b>Outlook:</b>	Stable	<b>Action:</b>	Affirmed
<b>Best's Issuer Credit Rating:</b>	bbb	<b>Outlook:</b>	Stable	<b>Action:</b>	Affirmed

### Five Year Credit Rating History:

Date	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
	Rating	Outlook	Action	Rating	Outlook	Action
03/01/2018	B++	Stable	Affirmed	bbb	Stable	Affirmed
03/09/2017	B++	Stable	Affirmed	bbb	Stable	Affirmed
03/11/2016	B++	Stable	Affirmed	bbb	Stable	Affirmed
02/27/2015	B++	Stable	Affirmed	bbb	Stable	Affirmed
02/26/2014	B++	Stable	Upgraded	bbb	Stable	Upgraded

### Rating Rationale:

**Balance Sheet Strength: Very Strong**

- Risk-adjusted capitalization is more than adequate.

- Recently engaged with asset management company that specializes in insurance to improve credit quality and diversification of investment portfolio with better asset to liability matching.
- Limited financial flexibility as there is no parent company nor line of credit to draw capital if needed.

## Operating Performance: Adequate

- A marginal net premium revenue growth trend over the past few years.
- Reported net underwriting losses in four of the last five years with most recent losses attributed to higher dollar claims and increased administration expenses from a in progress systems conversion.
- The overall net operating earnings trend has been favorable with minor fluctuations excluding 2014, where the company realized a large capital gain.
- Return on revenue and return on equity have been in excess of 5% over the last five years; however the long-term revenue trend is generally declining.

## Business Profile: Limited

- The company has an established niche of marketing its supplemental accident & health and life insurance products primarily via worksite sales chiefly to small and mid-size employer groups in rural areas and towns.
- Has exposure to product concentration. Cancer products comprise over 50% of the total net premium revenue, which increases legal, regulatory and market risks.
- Life Insurance Company of Alabama increased sales in more creditworthy life products over the last several years.
- Geographically concentrated as over 75% of direct premiums come from four states.
- Operates in a highly competitive market where many competitors have a broad geographical reach.

## Enterprise Risk Management: Marginal

- Historically, the company has maintained an informal enterprise risk management (ERM) program headed by senior management with oversight from the board of directors.
- Life Insurance Company of Alabama engaged with an external ERM consultant to implement a formalized ERM program.
- Recently engaged with a new investment manager that specializes in the insurance industry.

## Outlook

The stable outlooks reflect the company's very strong balance sheet and adequate operating performance.

## Rating Drivers

A positive rating action could occur if the company experiences a trend of profitable premium growth.

A positive rating action could occur if the company fully executed a formal ERM program.

A negative rating action could occur if the company experiences a material decline in overall net premium revenue.

A negative rating action could occur if the company reports a trend of net losses.

## Financial Data Notes:

**Time Period:** Annual - 2016

**Status:** A.M. Best Quality Cross Checked

## Key Financial Indicators:

### Key Financial Indicators (000)

	Year End - December 31				
	2016	2015	2014	2013	2012
Assets	120,838	116,623	113,481	107,972	102,594
Policyholders' Surplus	40,629	38,740	37,253	33,032	29,355
Asset Valuation Reserve	2,274	1,779	1,696	1,938	1,215
Net Premiums Written	36,013	36,313	37,398	37,162	37,959
Net Investment Income	5,271	4,941	4,269	4,061	4,069
Net Income	2,200	2,835	7,026	2,665	3,017

Source: Bestlink - Best's Statement File - L/H, US

(\*) Within several financial tables of this report, this company is compared against the Individual Accident & Health Composite.

(\*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

## Best's Capital Adequacy Ratio Summary - AMB Rating Unit (%)

<b>Confidence Level</b>	<b>95.0</b>	<b>99.0</b>	<b>99.5</b>	<b>99.6</b>
BCAR Score	72.4	64.0	60.8	59.6

Source: Best's Capital Adequacy Ratio Model - L/H, US

## Credit Analysis:

### Balance Sheet Strength: Very Strong

Life Insurance Company of Alabama's (LICOA's) balance sheet strength is considered very strong supported by a BCAR score of 59.6 at the 99.6% VaR Confidence Level. LICOA's level of total capital has increased consistently over the last several years with a five year compound annual growth rate of 10.2% in 2016 and year over year increase of 5.8%. The increases were driven by consistently favorable net income, partially offset by dividends to shareholders. LICOA has paid dividends to shareholders once a year ranging from \$217 thousand to \$463 thousand over the last five years. In recent years, capital growth has been further inhibited by sizeable capital investments in its a policy administration system conversion that the company has invested in over the last three years.

LICOA's underwriting leverage has been strong over the last several years with a ratio of net premiums to capital and surplus of less than 1 to 1 over the last two years. This has been the result of favorable capital growth outpacing the relatively flat to declining premium growth. Capital and surplus to liabilities has also been improving reporting 55% in 2016 from 42% in 2012.

LICOA maintains a number of reinsurance treaties. Employers Reinsurance Corp. Chicago, IL, reinsures 100% of the 20 year certain accidental death benefit rider on accident disability policies. Optimum Re., Dallas, TX, reinsures, on a YRT basis, 10 year term life policies over \$50,000, 50% of increasing benefit term and whole life and 20 year term policies effective August 31, 2007 over \$100,000. Optimum Re. reinsures, on a 50% coinsurance basis, 10, 15, 20 and 30 year term life policies with Life of Alabama having a maximum retention of \$100,000 effective August 1, 2010. Swiss Re Life and Health America, Inc., Fort Wayne, IN, reinsures the Protector Series whole life product over \$50,000 and 100% of the accidental death benefits on all life products on a bulk basis. Scottish Re, Inc., Charlotte, NC,

reinsures 10 year term and whole life coverage over \$50,000, while Hanover Life Reassurance Co. of America, Orlando, FL, reinsures whole life and 20 year term products over \$100,000 issued prior to April 1, 2005.

The company maintains adequate liquidity levels and holds approximately \$3.2 million in cash and short-term investments as of September 30, 2017. LICOA's liquidity ratios steadily increased over the last five years with current liquidity ratio over 130% as of year-end 2016 and an overall liquidity ratio exceeding 150% as of September 30, 2017. Additionally, LICOA has consistently reported positive cash flows over the past five years.

LICOA has historically used various investment managers to manage its fixed income and equity portfolios, however in 2018 the company engaged with a single investment management company to oversee the company's entire investment portfolio. This relationship is expected to be beneficial to LICOA as the investment firm specializes in the insurance industry and may help to improve the overall credit quality and diversification.

Bonds are comprised primarily of investment grade securities with an average maturity of approximately eleven years. The bond portfolio represents approximately 90% of the total invested asset portfolio. While approximately 90% of the fixed securities are investment grade, LICOA has a high exposure to class 2 bonds which represented more than 50% of the bond portfolio the last two years and as of September 30, 2017. This could increase the risk of bonds being downgraded to below investment grade. Additionally the exposure to below investment grade bonds has decreased from 16.8% of the bond portfolio as of year-end 2016 to 8.0% as of September 30, 2017. This has resulted in a correlating decline in below investment grade bonds to capital from 39.8% to 19.1% in the same time period. The fixed income portfolio is comprised of primarily corporate issues, U.S. tax-free municipals and U.S. government agency bonds. In 2015, the company decreased its position in tax-free municipal bonds and increased its corporate issues for tax purposes. In 2016, however, the company shifted back to investing in municipal bonds to improve the quality of the bond portfolio. LICOA's equity portfolio is almost entirely comprised of unaffiliated common stock and is well-diversified across industry sectors. Historically, the company has retained a single large investment holding in one equity security, Protective Life Corporation, which was made shortly after the inception of the company. In 2014 and 2015, however, LICOA sold all of this holding for a capital gain. The remainder of the portfolio consists of policy loans, cash & short-term investments, Schedule BA Assets (primarily a venture fund) and real estate.

## Capitalization:

### Capital Generation Analysis

	Year End - December 31				
	2016	2015	2014	2013	2012
Pre-Tax Net Operating Gain (\$000)	2,379	2,531	4,656	2,700	3,295
Realized Capital Gains (\$000)	86	449	3,388	208	-13
Income Taxes (\$000)	265	145	1,018	243	264
Unrealized Capital Gains (\$000)	364	-1,001	-2,852	2,221	699
Change in AVR (\$000)	-495	-83	242	-723	-384
Other Changes (\$000)	-180	-264	-195	-486	1,018
Change in Capital & Surplus (\$000)	1,889	1,487	4,220	3,677	4,349
Change in Capital & Surplus (%)	4.9	4.0	12.8	12.5	17.4

Source: Bestlink - Best's Statement File - L/H, US

### Liquidity Analysis

	Year End - December 31				
	2016	2015	2014	2013	2012
Operating Cash Flow (\$000)	3,279	3,282	4,475	3,801	4,618
Non-Investment Grade Bonds / Capital (%)	39.8	21.8	13.7	10.4	9.3
Mortgage Loans & RE to Capital (%)	1.5	1.7	1.5	1.6	1.8
Affiliated Investment to Capital (%)	1.3	1.5	1.2	1.3	1.4

**Capitalization: (Continued...)**

**Liquidity Ratios (%)**

	Company					Industry Composite				
	Year End - December 31					Year End - December 31				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
Quick Liquidity	80.5	86.4	89.4	88.6	84.9	54.4	53.8	53.0	53.7	50.2
Current Liquidity	135.2	134.4	132.8	128.3	123.8	99.5	105.6	105.2	105.5	103.6

Source: Bestlink - Best's Statement File - L/H, US

Industry Composite: Individual Accident & Health Composite - Bestlink - Best's Statement File - L/H, US

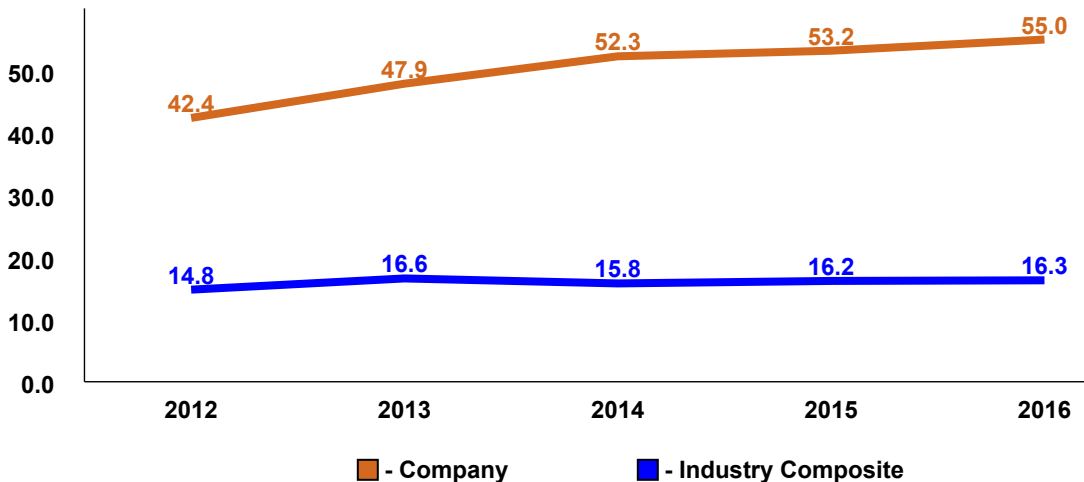
**Leverage Analysis (%)**

	Company					Industry Composite				
	Year End - December 31					Year End - December 31				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
Capital & Surplus to Liabilities	55.0	53.2	52.3	47.9	42.4	16.3	16.2	15.8	16.6	14.8
Reinsurance Leverage	4.1	4.4	3.9	4.3	4.2	156.7	196.2	191.2	159.6	155.8
NPW & Deposits to Total Capital	0.8	0.9	1.0	1.1	1.2	1.2	1.3	1.3	2.0	2.3
Change in NPW & Deposits	-0.8	-2.9	0.6	-2.1	-3.2	3.5	-1.0	-41.7	-4.8	2.3

Source: Bestlink - Best's Statement File - L/H, US

Industry Composite: Individual Accident & Health Composite - Bestlink - Best's Statement File - L/H, US

**Capital & Surplus to Liabilities**

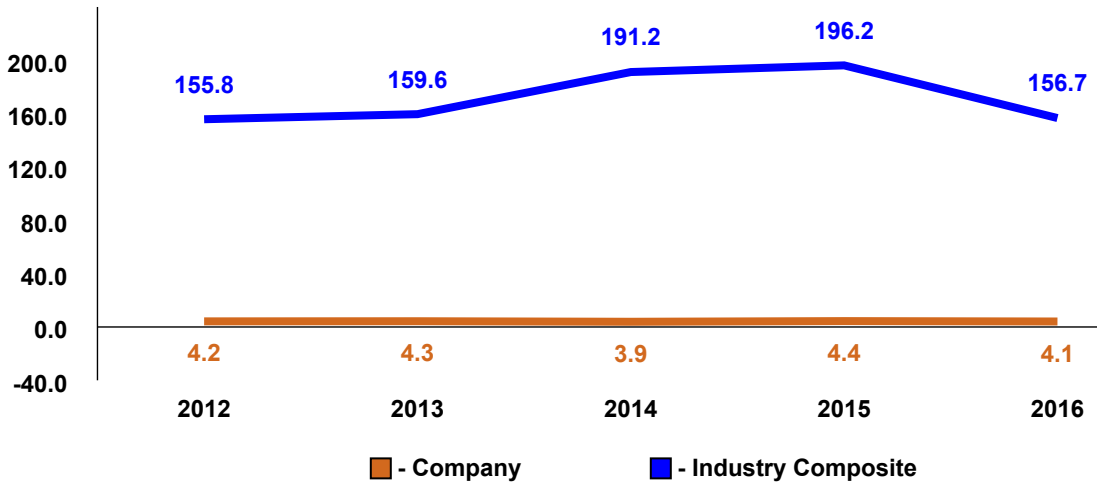


Source: Bestlink - Best's Statement File - L/H, US

Industry Composite: Individual Accident & Health Composite - Bestlink - Best's Statement File - L/H, US

**Capitalization: (Continued...)**

**Reinsurance Leverage**



Source: Bestlink - Best's Statement File - L/H, US  
Industry Composite: Individual Accident & Health Composite - Bestlink - Best's Statement File - L/H, US

**Asset Liability Management – Investments:**

**Bond Portfolio - 2016 Bonds Distribution by Maturity (%)**

	Years					Years Average Maturity
	0-1	1-5	5-10	10-20	20+	
Government	0.4	...	...	0.3	0.5	13.9
Government Agencies	0.2	1.0	3.7	2.7	1.6	12.1
Industrial & Miscellaneous	3.3	8.6	35.2	37.7	5.0	10.9
Total	3.8	9.6	38.9	40.7	7.0	11.1

Source: Bestlink - Best's Statement File - L/H, US

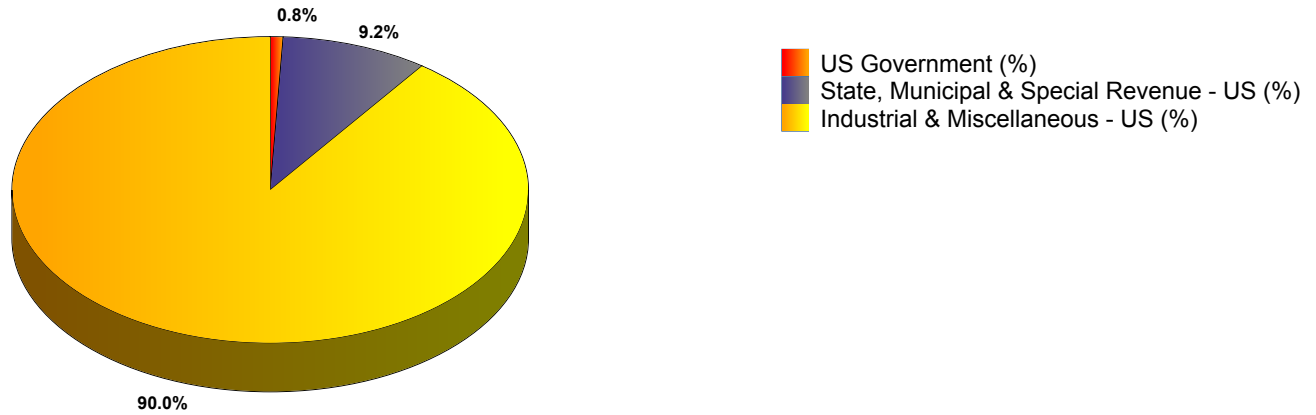
**Bond Distribution by Issuer Type**

	Year End - December 31				
	2016	2015	2014	2013	2012
Bonds (\$000)	101,228	98,696	93,915	87,270	81,847
US Government (%)	0.8	0.8	0.8	0.9	1.5
State, Municipal & Special Revenue - US (%)	9.2	5.2	47.7	63.5	63.6
Industrial & Miscellaneous - US (%)	90.0	94.0	51.5	35.6	34.8

Source: Bestlink - Best's Statement File - L/H, US

**Asset Liability Management – Investments: (Continued...)**

**2016 Bond Distribution By Issuer Type**



Source: Bestlink - Best's Statement File - L/H, US

**Operating Performance: Adequate**

LICOA's operating performance is considered adequate. Net premium revenue growth has been relatively flat to slightly declining in recent years with a five year compound annual growth rate of -1.7%. Over the last two years net premiums is attributed to a decline in sales and an increase in life premiums being reinsured, but also from consumers converting to lower premium paying cancer policies. However, as of September 30, 2017, premiums slightly increased year over year approximately 1.6% as a result of rate increases and increased life sales. Underwriting results have fluctuated over the last five years with losses in four of the last five years, which have been driven by large losses in its run-off unlimited cancer business, higher than anticipated death claims and in recent years and an increase in expenses due to the cost of converting to a new policy administration system. These losses, however, have been more than offset by consistent net investment income that has been generally increasing over the last several years as the investment portfolio continues to accrete.

Overall, the earnings trend has been favorable with minor fluctuations with the exception of 2014 where results were inflated due to a large capital gain realized on the sale of the majority of the company's common stock holding in Protective Life Insurance Company and had lower than anticipated health claims. Additionally, operating RORs and ROEs reported over the last five years have each been in excess of 5%. This profitable trend continued through third quarter of 2017, although the results were lower than the prior year mainly due to increasing underwriting losses.



## Underwriting Results: (Continued...)

### Profitability Test (%)

	Year End - December 31					5-YR Avg/Total
	2016	2015	2014	2013	2012	
Benefits Paid to NPW & Deposits	53.4	56.5	48.8	51.0	53.0	52.5
Commissions & Expenses to NPW & Deposits	49.7	46.1	46.7	45.9	44.0	46.4
Net Operating Gains to Total Assets	1.8	2.1	3.3	2.3	3.1	2.5
Net Operating Gains to Total Revenues	5.1	5.8	8.6	5.9	7.2	6.5
Operating Return on Equity	5.3	6.3	10.4	7.9	11.1	8.0
Net Yield	4.84	4.68	4.18	4.18	4.46	4.48
Pre-tax Invest Total Return	5.39	5.23	5.72	7.08	6.68	5.98

Source: Bestlink - Best's Statement File - L/H, US

### Net Operating Gain (\$000)

	Year End - December 31				
	2016	2015	2014	2013	2012
Ordinary life	157	310	297	440	1,252
Group life	-1	-1	...	1	1
Supplementary contracts	53	43	29	-7	-5
Individual annuities	4	12	-9	-12	-60
Individual A&H	1,913	2,026	3,202	1,954	1,668
Group A&H	-12	-4	118	81	174
<b>Total</b>	<b>2,114</b>	<b>2,386</b>	<b>3,638</b>	<b>2,457</b>	<b>3,031</b>

Source: Bestlink - Best's Statement File - L/H, US

### Accident & Health Statistics

	Year End - December 31				
	2016	2015	2014	2013	2012
Net Premiums Written (\$000)	29,979	30,023	31,375	31,224	32,206
Net Premiums Earned (\$000)	29,989	30,091	31,363	31,267	32,259
Loss Ratio (%)	50.0	54.7	48.2	54.0	55.6
Expense Ratio (%)	48.6	45.5	45.3	44.6	43.9
Underwriting Results (\$000)	423	-5	2,041	451	191

Source: Bestlink - Best's Statement File - L/H, US

## Business Profile: Limited

LICOA, established in 1952 and based in Gadsden, AL, is a closely-held, public company primarily owned by the Daugette family. LICOA is a regional insurance company licensed in 10 southeastern states and Oklahoma. The company wholly-owns LICOA Brokerage Service, Inc., a wholly-owned broker and agent service company marketing its products.

LICOA has an established niche marketing supplemental accident & health and life insurance products primarily via worksite sales chiefly to small and mid-size employer groups in rural areas and towns. The company also markets individual products directly to families. The company primarily markets supplemental accident & health products that are not subject to the regulations of the Affordable Care Act. These include cancer, accident, hospital indemnity and intensive care, critical illness, dental, vision, hearing and disability and major expense lump sum cancer/heart and heart/stroke expense. Its life product offerings include whole and term life with small face amounts.

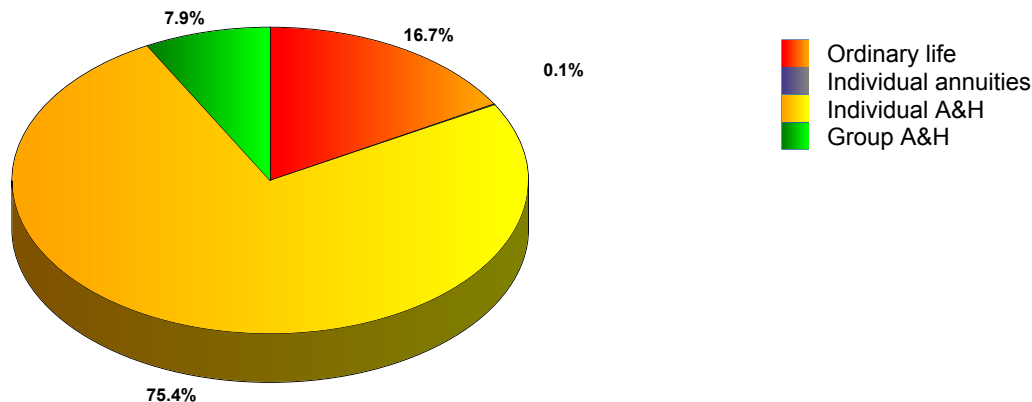
There is exposure to product concentration as cancer insurance, its primary line of business, comprises over 50% of total net premium revenue. Limited benefit and unlimited benefit cancer products comprise approximately 85% and 15%, respectively, of total cancer business. To offset historically high claims experience in its unlimited benefit products, the company has introduced a variety of limited benefit indemnity products, which include Limited benefit indemnity products with larger benefits.

LICOA's ancillary supplemental accident & health products represent about 29% of total net premium revenue. Accident products are simplified issued to qualifying individuals and employer groups and provide 24-hour on or off-the-job coverage or off-the-job coverage only. Hospital indemnity products pay for each day as a hospital inpatient and for outpatient office visits, in addition to paying up-front, lump sum cash upon hospital admission to assist in defraying major medical deductible expenses. Intensive care coverage is issued as either a policy or as a rider to another supplemental accident & health policy. The dental business entails voluntary group products. Disability products, short-term in duration, are guaranteed renewable and issued to qualifying worksite employer groups. Major expense cancer/heart products pay a lump sum benefit up to \$50,000 for cancer and heart illnesses, while heart/stroke products pay benefits for the prevention and treatment of heart disease, heart attack and stroke. The company also offers a critical illness product. This product, offered as a stand-alone product and as a rider to a life insurance policy, is available on both a worksite and individual basis. LICOA began selling a vision and hearing product in mid-2013 which is offered either as a rider to its worksite dental policy or as a stand-alone policy. In 2015, the company introduced a new individual accident product with two benefit options.

Life products comprise approximately 18% of total net premium revenue. Whole life products, primarily the Protector II Whole Life product that offers a guaranteed value as well as a \$15,000 rider on all children, comprises over half of the life business. Term life products, consist of 10 or 20 Year Level Term Renewable and Convertible coverage. LICOA has been modifying its life products from time to time. Its term life product suite includes four term life products consisting of 10, 15, 20 and 30 Year Level Term coverage as well as new whole and term life products.

Approximately 1400 active general agents market LICOA's products. Although the company's agents are not captive, certain ones sell only for LICOA. Over 75% of its direct premium revenue is derived from four states and over 30% is derived from Alabama alone, resulting in significant geographic concentration. Future sales growth is expected from further penetration of its current eleven state marketing territories, however it operates in a highly competitive supplemental benefits market. Additionally, LICOA does not have material market share as many of its major competitors specialize in worksite marketing and may inhibit sizeable growth in this space.

**2016 Top Product Lines of Business (Net Premiums Written)**



Source: Bestlink - Best's Statement File - L/H, US

### 2016 By-Line Business

Product Line	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written	
	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)
Ordinary life	6,746	18.4	...	...	745	100.0	6,002	16.7
Group life	1	...	4	100.0	...	...	5	...
Individual annuities	27	0.1	...	...	...	...	27	0.1
Individual A&H	27,137	73.8	...	...	...	...	27,137	75.4
Group A&H	2,842	7.7	...	...	...	...	2,842	7.9
<b>Total</b>	<b>36,754</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>745</b>	<b>100.0</b>	<b>36,013</b>	<b>100.0</b>

Source: Bestlink - Best's Statement File - L/H, US

### Geographical Breakdown By Direct Premium Writings

	2016	2015	2014	2013	2012
Alabama	11,551	11,393	11,386	11,135	11,302
Mississippi	5,804	5,591	5,660	5,652	5,746
Georgia	5,527	5,564	5,682	5,601	5,538
Tennessee	5,403	5,721	6,137	6,158	6,264
Kentucky	2,890	2,918	2,973	2,985	3,103
South Carolina	2,433	2,473	2,531	2,592	2,584
Arkansas	1,151	1,138	1,387	1,438	1,500
North Carolina	896	1,050	1,114	1,162	1,229
Florida	396	412	427	444	433
Louisiana	373	354	350	350	350
All Other	100	104	113	130	133
<b>Total</b>	<b>36,523</b>	<b>36,716</b>	<b>37,760</b>	<b>37,645</b>	<b>38,182</b>

Source: Bestlink - Best's Statement File - L/H, US

## Enterprise Risk Management: Marginal

LICOA is in the process of implementing a formalized ERM process with the guidance of an external ERM consultant. The company has recently appointed a risk officer and executives to closely supervise managers. Committees of the Board of Directors include Executive, Audit, Compensation and Loan & Investment. Investment management is outsourced to one newly appointed asset management firm specializes in the insurance industry. A written policy governs investments and LICOA's external asset management firm invest in accordance with the parameters documented in the policy. The Chief Operating Officer is now developing a written business plan and is documenting all operating policies and procedures. Internal auditing is outsourced to Willis, Boatner and Pugh. The company maintains a disaster recovery plan and an offsite storage facility. LICOA has several policies and practices in place to address cyber security. There is also an unwritten succession plan with replacements identified for each departmental manager.

## Financial Statements:

### Balance Sheet:

### Balance Sheet:

Admitted Assets	Year End - December 31	
	2016 (\$000)	2015 (\$000)
Bonds	101,228	98,696
Preferred Stocks	19	19
Common Stocks	4,779	4,247
Real Estate	631	682
Contract Loans	3,608	3,486
Cash & short-term Investments	1,174	411
Other Invested Assets	...	...
Premiums & Consideration Due	3,082	2,981
Investment income due & accrued	1,270	1,264
Other Assets	5,047	4,836
<b>Total Assets</b>	<b>120,838</b>	<b>116,623</b>

Liabilities & Surplus	Year End - December 31	
	2016 (\$000)	2015 (\$000)
Net Policy Reserves	65,810	64,410
Liabilities for deposit type contracts	1,203	1,347
Policy Claims	5,232	5,335
Interest maintenance reserve	1,782	1,831
Commissions, taxes and expenses	1,448	1,404
Asset Valuation Reserve	2,274	1,779
Other Liabilities	2,462	1,776
<b>Total Liabilities</b>	<b>80,209</b>	<b>77,883</b>

**Components of net policy reserves - 2016:** + Analysis of reserves; Life \$41,211; annuities \$1,597; supplementary contracts with life contingencies \$0; accidental death benefits \$46; disability active lives \$36; disability disabled lives \$44; miscellaneous reserves \$382; accident & health \$22,494.

**Components of net policy reserves - 2015:** + Analysis of reserves; Life \$39,366; annuities \$1,675; supplementary contracts with life contingencies \$0; accidental death benefits \$45; disability active lives \$36; disability disabled lives \$47; miscellaneous reserves \$361; accident & health \$22,880.

**Balance Sheet: (Continued...)**

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**Balance Sheet: (Continued...)**

<b>Capital &amp; Surplus</b>	<b>Year End - December 31</b>	
	<b>2016 (\$000)</b>	<b>2015 (\$000)</b>
Common Stock	1,500	1,500
Common Stock - Treasury	-718	-718
Paid-in & Contributed Surplus	1,810	1,811
Unassigned Surplus	38,037	36,148
Total Policyholders' Surplus	40,629	38,740
Total Liabilities & Surplus	120,838	116,623

Source: Bestlink - Best's Statement File - L/H, US

## Summary of Operations:

### Summary of Operations (000)

Statement of Income	2016 (\$000)	Expenses	2016 (\$000)
Premiums:		Death benefits	2,821
Ordinary life premiums	6,002	Claims incurred (PC)	...
Individual annuities premiums	27	Matured endowments	...
Credit life premiums	...	Annuity & old age benefits	181
Group life premiums	5	Disability & Accident & Health benefits	...
Group annuities premiums	...	Coupons, annual endowments & similar benefits	6
Accident & Health group premiums	2,842	Surrender benefits	825
Accident & Health credit premiums	...	Group conversion	...
Accident & Health other premiums	27,137	Accident & Health benefits	15,371
Industrial life premiums	...	Interest on contract or deposit-type funds	44
Miscellaneous premiums	...	Payments on supplemental contracts	...
Premiums & annuity considerations	...	Accumulated coupon payments	...
Fraternal premiums	...	Total benefits recodes	...
Aviation reinsurance premiums	...	Increase in life reserves	1,786
Deposit type funds	...	Increase in accident & health reserves	-386
Employee benefits plan premiums	...	Increase in liabilities for premium deposit funds	...
Deposit administration funds	...	Change in reserves	...
Other premiums	...	Reserve adjustment on reinsurance assumed	...
Reinsurance premiums	...	Other reserves	...
Total net premiums	36,013	Claim adjustment (PC only)	...
Supplementary contracts	...	Administrative expenses (PC only)	...
Coupon accum interest	...	Commissions on premiums & annuity considerations	6,899
Net investment income	5,271	Commissions & expenses on reinsurance assumed	...
Amortization of Interest Maintenance Reserve	212	Other commissions & expenses	...
Net operating gain from separate accounts	...	Reinsurance expenses	...
Commissions & expense allowance on rein ceded	...	Interest expenses	...
Reserve adjustment on reinsurance ceded	...	Insurance taxes, licenses & fees	1,042
Reinsurance income	...	General insurance expenses	9,956
Other income	115	Net transfer to separate accounts	...
Difference between net earned & net written (PC only)	...	Other expenses	675
Management and/or service fees	...		
<b>Total operating income</b>	<b>41,610</b>	<b>Total expenses</b>	<b>39,220</b>
		Net operating gain before federal income taxes	...
		Net operating gain before taxes & dividends	2,390
		Net operating gain before refunds to members	...
		Dividends - life	12
		Dividends - accident & health	...
		Refund to members (fraternal only)	...

**Summary of Operations: (Continued...)**

**Summary of Operations (000) (Continued...)**

Statement of Income	2016 (\$000)	Expenses	2016 (\$000)
		Net operating gain after dividends & before taxes	2,379
		Federal income taxes	265
		Net operating gain	...
		Net operating gain after federal income taxes	...
		Net operating gain after dividends & taxes	2,114
		Net operating gain after refunds to members	...

Source: Bestlink - Best's Statement File - L/H, US

**Cash Flow Analysis (\$000)**

**Cash Flow Analysis (\$000)**

Funds Provided	2016 (\$000)	Funds Applied	2016 (\$000)
Gross cash from operations	41,575	Benefit and loss payments	19,323
Transfers from separate accounts	...	Commissions, taxes & expenses paid	18,327
Federal income tax refunds	...	Transfers to separate accounts	...
Decrease in contract loans & premium notes	...	Dividends to policyholders	...
Bond proceeds	13,994	Federal income taxes paid	...
Stock proceeds	...	Increase in contract loans & premium notes	...
Mortgage loans proceeds	...	Surplus notes paid back	...
Real estate proceeds	...	Capital notes paid back	...
Collateral loans proceeds	...	Capital paid back	...
Surplus notes paid in	...	Repaid borrowed money	...
Capital notes paid in	...	Repaid capital notes	...
Capital paid in	...	Bonds acquired	16,635
Borrowed money	...	Stocks acquired	...
Capital notes	...	Mortgage loans acquired	...
Other investment proceeds	1,625	Real estate acquired	...
		Collateral loans acquired	...
		Other investments acquired	...
		Dividends to stockholders	...
Total Other cash provided	599	Total Other cash apportioned	2,745
Decrease in cash & short-term investments	...	Increase in cash & short-term investments	762
<b>Total</b>	<b>57,793</b>	<b>Total</b>	<b>57,793</b>

Source: Bestlink - Best's Statement File - L/H, US

## Life Insurance Company of Alabama

**Report Revision Date:**  
March 1, 2018

### Company Attributes:

**Industry:** Insurance  
**Business Type:** Life, Annuity, and Accident - Medical Non-HMO  
**Entity Type:** Operating Company  
**Organization Type:** Stock  
**Business Status:** In Business - Actively Underwriting  
**Marketing Type:** Independent Agency  
**Financial Size:** VI (\$25 Million to \$50 Million)

### Company History:

**Date Incorporated:** 07/28/1952                      **Date Commenced:** 08/13/1952                      **Domicile:** United States: Alabama

**Mergers:** Life & Accident Insurance Company of Alabama, 1958.

### Company Operations:

**Licensed Territory:** (Current since 05/21/2003).The company is licensed in AL, AR, FL, GA, KY, LA, MS, NC, OK, SC and TN. A lead external asset management firm and four other external asset management firms manage LICOA's relatively conservative, liquid investment portfolio. The lead firm manages bonds, while the four other firms manage portions of its equity portfolio. Additionally, external investment consulting firms monitor the performance of the four asset management firms overseeing its equity portfolio.

Bonds are comprised primarily of investment grade securities with an average maturity of approximately fourteen years, and the bond portfolio represents approximately 90% of the total invested asset portfolio. While approximately 90% of the fixed securities are investment grade, LICOA has been increasing its exposure to class 2 bonds which represented more than 50% of the bond portfolio the last two years. Additionally the exposure to below investment grade bonds has been steadily rising. The fixed income portfolio is comprised of corporate issues, U.S. tax-free municipals and U.S. government agency bonds. In 2015, the company decreased its position in tax-free municipal bonds and increased its corporate issues for tax purposes. LICOA's equity portfolio is almost entirely comprised of unaffiliated common stock and is well-diversified across industry sectors. Historically, the company has retained a single large investment holding in one equity security, Protective Life Corporation, which was made shortly after the inception of the company. In 2014 and 2015, however, LICOA sold all of this holding for a capital gain. The remainder of the portfolio consists of policy loans, Schedule BA Assets (primarily a venture fund), cash & short-term investments and real estate.

2016		
Rank	Top 5 Lines of Business by NPW	
1	Individual A&H	75.4%
2	Ordinary life	16.7%
3	Group A&H	7.9%
4	Individual annuities	0.1%

2016		
Rank	Top 5 Geographic Distribution by DPW	
1	United States: AL	31.6%
2	United States: MS	15.9%
3	United States: GA	15.1%
4	United States: TN	14.8%
5	United States: KY	7.9%

Source: Bestlink - Best's Statement File - L/H, US



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## Company Management:

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Last significant update on 08/17/2016

### Officers

**Chairman of the Board and President:** Clarence W. Dauge III  
**EVP and Chief Marketing Officer:** Raymond R. Renfrow, Jr.  
**EVP and Treasurer:** Marvin L. Lowe  
**SVP, Secretary, Actuary and COO:** Jack S. Keck  
**Vice President and Chief Investment Officer:** Rosalie R. Causey  
**Vice President and Director:** Michael P. Causey (Agency)  
**Vice President and Director:** Kenneth W. Lewis (Marketing)  
**Vice President:** Hoyt R. Casey  
**Vice President:** Jeffrey L. Casey  
**Vice President:** Katrina D. Hulsey

### Directors

Rosalie R. Causey  
Herman W. Cobb, Jr.  
Clarence W. Dauge III  
Alburta D. Lowe  
M. Lynn Lowe  
Thomas W. Miller, Sr.  
Lucian Newman, Jr., MD  
Anne D. Renfrow  
Raymond R. Renfrow, Jr.  
Gerald R. Smith, Jr.

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## Regulatory:

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**Auditor:** Thomas Howell Ferguson, PA

An examination of the financial condition was made as of December 31, 2012, by the insurance department of Alabama. The 2016 annual independent audit of the company was conducted by Thomas Howell Ferguson, PA. The annual statement of actuarial opinion is provided by J. Steven Keck, FSA, MAAA.

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## Additional Resources:

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