

006637 - Life Insurance Company of Alabama

Report Revision Date: 03/21/2016

Rating and Commentary ¹	Financial ²	General Information ³
Best's Credit Rating: 03/11/2016 Rating Rationale: 03/11/2016 Report Commentary: 03/21/2016	Time Period: 1st Quarter - 2016 Last Updated: 05/23/2016 Status: Quality Cross Checked	Corporate Structure: N/A States Licensed: 05/21/2003 Officers and Directors: 02/23/2015

¹ The **Rating and Commentary** dates outline the most recent updates to the company's Best's Credit Rating, Rating Rationale, and Report Commentary for key rating and business changes. Report Commentary may include significant changes to the Business Profile, Risk Management, Operating Performance, Balance Sheet Strength, or Reinsurance sections of the report.

² The **Financial** dates reflect the current status of the financial tables and charts found within the AMB Credit Report, including whether the data was loaded "As Received" or had been run through A.M. Best "Quality Cross Checks".

³ The **General Information** dates cover key changes made to Corporate Structure, States Licensed, or Officers and Directors.

Life Insurance Company of Alabama

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AMB #: 006637

Ultimate Parent #: N/A

NAIC #: 65412

FEIN#: 63-0321291

Publicly Traded Corporation: Life Insurance Company of Alabama
OTC: LINS.PK OTC: LINS.A.PK

Best's Credit Ratings

Best's Financial Strength Rating: B++

Outlook: Stable

Best's Issuer Credit Rating: bbb

Outlook: Stable

Rating Effective Date: 03/11/2016

Financial Size Category: VI

Report Revision Date: 03/21/2016

Rating Rationale

Rating Rationale: The ratings of Life Insurance Company of Alabama (LICOA) reflect its well-established regional market niche, its consistently favorable operating results and strong risk-adjusted capitalization. Offsetting factors include its flat to declining premium trend, a significant increase in class 2 bonds and concentration risks.

LICOA has historically marketed accident, health and life insurance products, primarily to rural areas in the southeastern section of the U.S. The company has reported relatively stable profitability over the last several years, excluding 2014 when earnings were boosted by one-time realized gains. Consistent favorable net investment income has also supplemented modest underwriting results over the period. LICOA's level of risk-adjusted capital is considered strong for its business risks. Consistent net income, partially offset by stockholders' dividends, has allowed the level of capital to improve the past few years.

The company's net premium revenue has remained flat in recent years due to the conversion of many unlimited benefit cancer policies with higher premiums to limited benefit cancer policies with lower premiums. In 2015, net premium revenue began to decline due to a lower level of new sales, driven by highly competitive supplemental accident and health and life benefits markets. While approximately 90% of the bond portfolio is investment grade, LICOA has been increasing its exposure to class 2 bonds, which represented more than three-quarters of the bond portfolio at year-end 2015. Furthermore, the company's exposure to below investment grade bonds has increased, largely due to downgrades of existing holdings. Both of these are above average when compared to peers. A concentration of business in cancer insurance exposes LICOA to a certain level of market and regulatory risks. A.M. Best also believes the company is exposed to geographic risk as over three-quarters of direct premium revenue is derived from four states.

Positive rating action could occur if LICOA experiences profitable premium growth, particularly in the life line of business, as well as a geographic expansion of sales. Conversely, negative rating actions could occur if LICOA experiences a material impact from changes in the investment portfolio, a material decline in overall net premium revenue and a continued trend of underwriting losses resulting from excessive claims in its remaining unlimited cancer business.

Five Year Rating History

Date	BEST'S	
	FSR	ICR
03/11/2016	B++	bbb
02/27/2015	B++	bbb
02/26/2014	B++	bbb
02/27/2013	B+	bbb-
02/14/2012	B+	bbb-

Key Financial Indicators

Statutory Data (\$000)						
Year	Assets	Total Capital		Net Premiums Written	Net Investment Income	Net Income
		Capital Surplus Funds	Asset Valuation Reserve			
2015	116,623	38,740	1,779	36,313	4,941	2,835
2014	113,481	37,253	1,696	37,398	4,269	7,026
2013	107,972	33,032	1,938	37,162	4,061	2,665
2012	102,594	29,355	1,215	37,959	4,069	3,017
2011	94,939	25,006	830	39,218	4,402	3,061
03/2016	118,692	39,812	2,169	8,992	1,308	1,154
03/2015	114,329	37,882	1,391	9,479	1,175	892

(*) 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.

Business Profile

Life Insurance Company of Alabama (LICOA), established in 1952 and based in Gadsden, AL, is a closely-held, public company primarily owned by the Daugette family. The company wholly-owns LICOA Brokerage Service, Inc., an entity which serves as a broker and agent for its products.

Scope of Operations

Scope of Operations: LICOA markets 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. Supplemental accident & health products 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, while life insurance products include whole and term life with small face amounts.

Cancer insurance, its primary line of business, comprises nearly three-fifths of total net premium revenue. Limited benefit and unlimited benefit cancer products comprise four-fifths and one-fifth, 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, including two new limited benefit indemnity products with larger benefits in 2015.

LICOA's ancillary supplemental accident & health products represent one-fourth 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 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. LICOA introduced in mid-2009 new accident disability and sickness & accident disability products which provide enhanced flexibility and benefit features. The company offers a critical illness product in partnership with a major reinsurer. 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 one-sixth 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, comprising the remaining life business, consist of 10 or 20 Year Level Term Renewable and Convertible coverage. LICOA has been modifying its life products over that past few years. Changes include four term life products consisting of 10, 15, 20 and 30 Year Level Term coverage as well as new whole and term life products in 2014. LICOA's goal is to increase its new life premium revenue production to one-quarter of total new premium revenue.

Approximately 1300 active general agents market LICOA's products. Although the company's agents are not captive, certain ones sell only for LICOA. Over three-quarters of its direct premium revenue is derived from Alabama, Tennessee, Georgia and Mississippi. Future sales growth is expected from further penetration of its current eleven state marketing territory.

Scope of Operations (Continued...)

Total Premium Composition & Growth Analysis

Period Ending	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written & Deposits	
	(\$000)	(%Chg)	(\$000)	(%Chg)	(\$000)	(%Chg)	(\$000)	(%Chg)
2015	36,914	-2.6	4	...	604	15.5	36,329	-2.9
2014	37,917	0.7	4	-4.8	523	7.5	37,416	0.6
2013	37,645	-1.9	4	-4.9	486	13.5	37,181	-2.1
2012	38,383	-3.2	4	-1.9	428	-1.5	37,979	-3.2
2011	39,648	-4.2	4	28.4	435	-13.5	39,238	-4.1
5-Yr CAGR	XX	-2.3	XX	2.7	XX	3.7	XX	-2.3
03/2016	9,285	-3.7	XX	XX	XX	XX	XX	XX
03/2015	9,642	1.1	XX	XX	XX	XX	XX	XX

Territory

The company is licensed in AL, AR, FL, GA, KY, LA, MS, NC, OK, SC and TN.

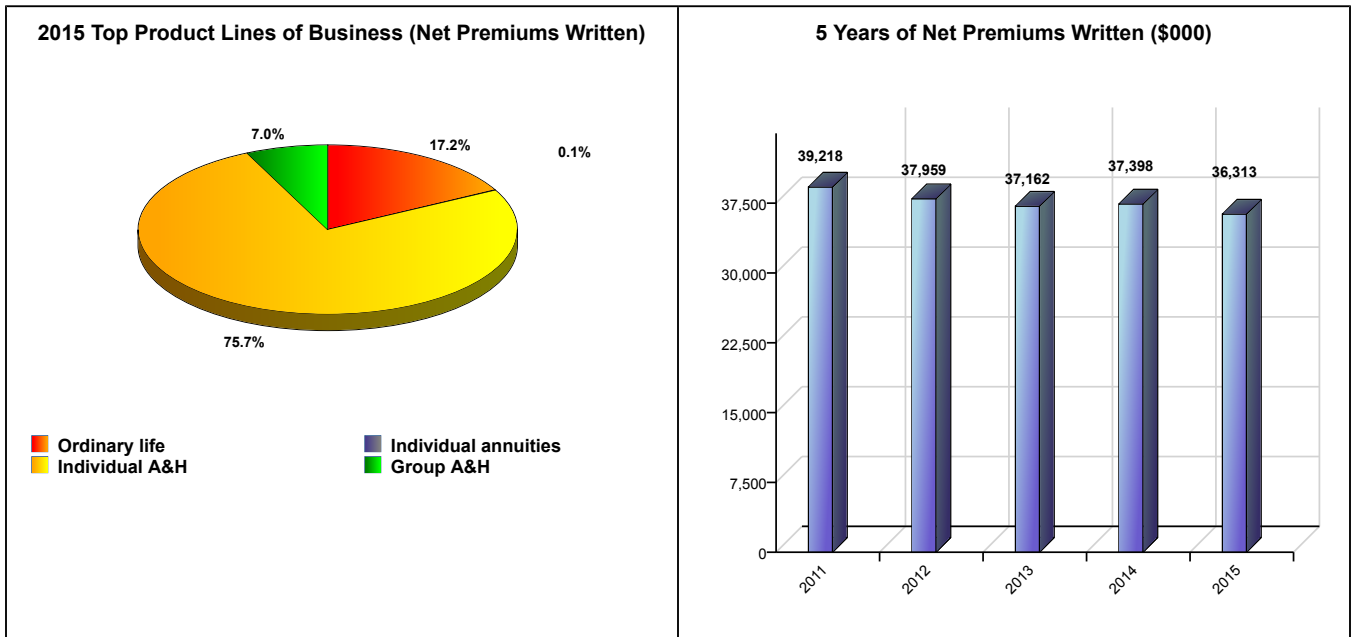
Business Trends

Business Trends: LICOA's net premium revenue declined in 2015 after remaining flat for several years. In 2015, net premium revenue decreased primarily due a decrease in sales. LICOA's products and associated premium revenue are not subject to the Patient Protection and Affordable Care Act (ACA).

2015 By-Line Business (\$000)

Product Line	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written	
	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)
Ordinary life	6,849	18.6	...	...	604	100.0	6,245	17.2
Group life	1	...	4	100.0	...	...	5	...
Individual annuities	41	0.1	...	...	...	...	41	0.1
Individual A&H	27,487	74.5	...	...	...	...	27,487	75.7
Group A&H	2,536	6.9	...	...	...	...	2,536	7.0
Total	36,914	100.0	4	100.0	604	100.0	36,313	100.0

Business Trends (Continued...)



By-Line Reserves (\$000)

Product Line	2015	2014	2013	2012	2011
Ordinary life	39,851	38,348	36,528	35,191	33,974
Group life	4	4	4	4	4
Individual annuities	1,675	1,777	1,986	2,128	2,119
Deposit type contracts	1,347	1,325	1,343	1,426	1,440
Individual A&H	21,768	21,693	21,628	20,145	19,525
Group A&H	1,112	1,010	919	959	868
Total	65,758	64,157	62,408	59,853	57,931

Life Policies Statistics

Year	Ordinary Policies		Group Policies		Group Certificates	
	Issued	In Force	Issued	In Force	Issued	In Force
2015	2,102	21,242	...	4	...	6,525
2014	2,181	21,431	...	4	...	6,706
2013	2,666	21,551	...	4	...	7,217
2012	2,278	21,548	...	4	...	7,845
2011	2,733	21,764	...	4	...	8,462

Business Trends (Continued...)

Life Insurance In Force (\$000)

Year	Whole Life & Endowment & Additions	Term	Credit	Group	Industrial	Total Insurance In Force
2015	459,954	382,640	...	1,185,628	...	2,028,222
2014	393,770	429,941	...	1,216,140	...	2,039,851
2013	388,292	423,139	...	1,310,100	...	2,121,531
2012	382,150	398,243	...	1,411,360	...	2,191,753
2011	364,038	395,929	...	1,524,112	...	2,284,079

New Life Business Issued

Year	Whole Life & Endowment & Additions	Term	Credit	Group	Industrial	Total Insurance Issued	Non-Particpt. (%)	Particpt. (%)
2015	51,745	91,774	...	...	...	143,519	100.0	...
2014	51,816	85,510	...	...	...	137,327	100.0	...
2013	54,949	108,361	...	...	...	163,310	100.0	...
2012	51,049	95,634	...	...	...	146,683	100.0	...
2011	57,087	90,308	...	...	...	147,395	100.0	...

Ordinary Life Statistics

Year	Ordinary Lapse Ratio (%)	Renewal Premium Persistency (%)	Average Ordinary Policy (In Dollars)		# of Policies		Average Premium (\$/M)
			Issued	In Force	Issued	In Force	
2015	10.8	94.1	68,277	39,666	2,102	21,242	8.13
2014	10.7	90.3	62,965	38,435	2,181	21,431	7.89
2013	12.2	91.3	61,257	37,652	2,666	21,551	7.86
2012	11.7	90.0	64,391	36,216	2,278	21,548	7.80
2011	12.2	87.9	53,932	34,919	2,733	21,764	7.85

Year	1st Year Premium (\$000)	1st Year Premium / Total Premium	1st Year Commission / 1st Year Premium	General Expenses / Policies In Force	General Expenses / Reserves (%)	Return on Reserves (%)
2015	729	10.6	90.8	85.84	4.45	0.76
2014	740	11.4	100.0	90.74	4.93	0.75
2013	823	12.9	94.0	79.55	4.56	1.17
2012	713	11.7	96.2	61.56	3.65	3.45
2011	762	12.8	107.9	78.42	4.85	2.71

Business Trends (Continued...)

Individual Annuity Statistics

Year	Net Premiums Written (\$000)	Total Reserves (\$000)	Expenses to Reserves (%)	Commissions & Expenses to Net Premiums Written (%)	Benefits & Withdrawals to Net Premiums Written (%)	Benefits & Withdrawals to Reserves (%)
2015	41	1,675	1.1	42.9	540.3	13.3
2014	39	1,777	1.0	46.1	831.8	18.3
2013	42	1,986	0.6	26.5	633.2	13.5
2012	56	2,128	0.6	22.1	319.6	8.4
2011	70	2,119	0.6	17.9	281.8	9.3

Total Annuity Actuarial Reserves By Withdrawal Characteristics

Year	Total Annuity Reserves (\$000)	Minimum or No Surrender Charge (%)	With Surrender Charge 5% or More (%)	With Market Value Adjustment (%)	No Surrender Charge Allowed (%)
2015	1,675	100.0	...	...	...
2014	1,777	...	100.0	...	...
2013	1,986	...	100.0	...	...
2012	2,128	...	100.0	...	...
2011	2,119	...	100.0	...	...

Market Share / Market Presence

LICOA is a regional insurance company licensed in 10 southeastern states and Oklahoma.

Geographical Breakdown By Direct Premium Writings (\$000)

	2015	2014	2013	2012	2011
Alabama	11,393	11,386	11,135	11,302	11,951
Tennessee	5,721	6,137	6,158	6,264	6,603
Mississippi	5,591	5,660	5,652	5,746	5,854
Georgia	5,564	5,682	5,601	5,538	5,560
Kentucky	2,918	2,973	2,985	3,103	3,253
South Carolina	2,473	2,531	2,592	2,584	2,694
Arkansas	1,138	1,387	1,438	1,500	1,540
North Carolina	1,050	1,114	1,162	1,229	1,297
Florida	412	427	444	433	456
Louisiana	354	350	350	350	374
All Other	104	113	130	133	149
Total	36,716	37,760	37,645	38,182	39,732

Risk Management

LICOA, due to its relatively small size, does not maintain a formal risk management program. However, the company has recently appointed two risk officers and executives to closely supervise managers. There is an unwritten succession plan with replacements identified for each departmental manager. Committees of the Board of Directors include Executive, Audit, Compensation and Loan & Investment. Investment management is outsourced to one lead external asset management firm and four other external asset management firms. A written policy governs investments and LICOA's external asset management firms 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. Although LICOA does not maintain policies and procedures for the prevention, detection and elimination of fraud and records retention, it does maintain a number of marketing manuals and training programs for its agents. Internal auditing is outsourced to Willis, Boatner and Whiteside. The company maintains a disaster recovery plan and an offsite storage area; however, the recovery site and tape storage building are both located within one-half mile of the company. LICOA has several policies and practices in place to address cyber security.

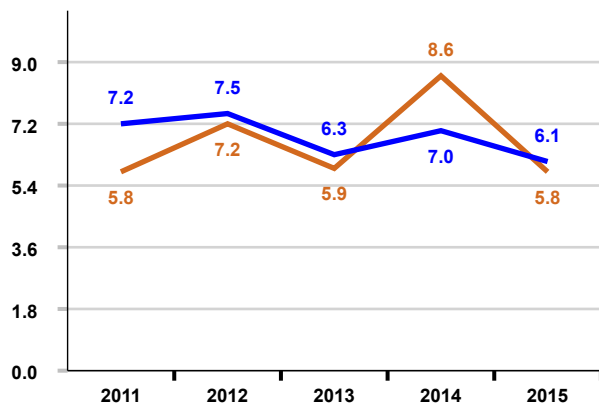
Operating Performance

Operating Results: LICOA has reported generally stable net income in recent years due to relatively consistent investment income supplementing modest underwriting results. Net income improved slightly in 2015 largely due to improvement in net investment income, which was partially offset by an increase in claims as well as expenses and decrease in sales. In 2014, net income significant increased primarily from a capital gain realized on the sale of the majority of the company's common stock holding in Protective Life Insurance Company and lower health claims paid. LICOA's investment income, despite lower interest rates, has remained relatively stable over the last five years.

Profitability Analysis

Period Ending	Company						Industry Composite	
	Pre-tax Net Operating Income (\$000)	Net Operating Gain (\$000)	Net Income (\$000)	Total Return (\$000)	Operating ROR (%)	Operating ROE (%)	Operating ROR (%)	Operating ROE (%)
2015	2,531	2,386	2,835	1,834	5.8	6.3	6.1	10.6
2014	4,656	3,638	7,026	4,173	8.6	10.4	7.0	11.5
2013	2,700	2,457	2,665	4,887	5.9	7.9	6.3	15.3
2012	3,295	3,031	3,017	3,716	7.2	11.1	7.5	20.8
2011	3,347	2,519	3,061	2,237	5.8	10.5	7.2	19.8
5-Yr Avg/Tot	16,529	14,031	18,604	16,847	6.7	9.0	6.8	15.5
03/2016	1,335	1,149	1,154	1,294	10.8	8.1	XX	XX
03/2015	321	405	892	191	3.8	8.7	XX	XX

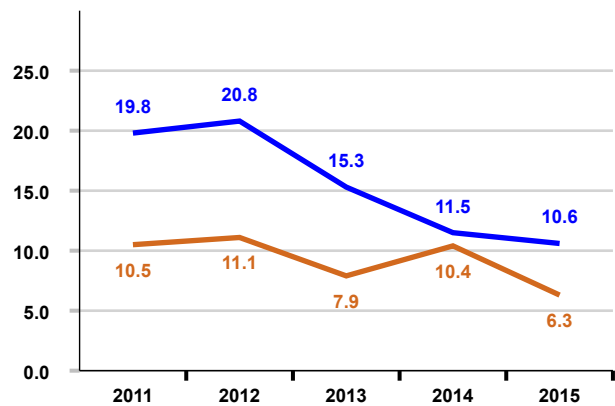
Operating ROR Comparison with Industry Composite



■ - Company Operating ROR
■ - Industry Composite Operating ROR

* Industry Composite - Individual Accident & Health Composite

Operating ROE Comparison with Industry Composite



■ - Company Operating ROE
■ - Industry Composite Operating ROE

* Industry Composite - Individual Accident & Health Composite

Underwriting Results

Profitability Tests (%)

Year	Benefits Paid to NPW & Deposits	Commissions & Expenses to NPW & Deposits	NOG to Total Assets	NOG to Total Revenues	Operating Return on Equity	Net Yield	Pre-tax Invest Total Return
2015	56.5	46.1	2.1	5.8	6.3	4.68	5.23
2014	48.8	46.7	3.3	8.6	10.4	4.18	5.72
2013	51.0	45.9	2.3	5.9	7.9	4.18	7.08
2012	53.0	44.0	3.1	7.2	11.1	4.46	6.68
2011	59.0	42.9	2.6	5.8	10.5	4.96	3.99
5-Yr Avg/Tot	53.7	45.1	2.7	6.7	9.0	4.48	5.75
03/2016	XX	XX	2.7	10.8	8.1	4.75	1.33
03/2015	XX	XX	2.8	3.8	8.7	4.25	1.08

Net Operating Gain

Product Line	2015	2014	2013	2012	2011
Ordinary life	310	297	440	1,252	953
Group life	-1	...	1	1	1
Supplementary contracts	43	29	-7	-5	-3
Individual annuities	12	-9	-12	-60	-75
Individual A&H	2,026	3,202	1,954	1,668	1,556
Group A&H	-4	118	81	174	87
Total	2,386	3,638	2,457	3,031	2,519

Accident & Health Statistics

Year	Net Premiums Written (\$000)	Net Premiums Earned (\$000)	Loss Ratio	Expense Ratio	Underwriting Results (\$000)
2015	30,023	30,091	54.7	45.5	-5
2014	31,375	31,363	48.2	45.3	2,041
2013	31,224	31,267	54.0	44.6	451
2012	32,206	32,259	55.6	43.9	191
2011	33,604	33,707	57.5	41.1	505

Current Year Experience

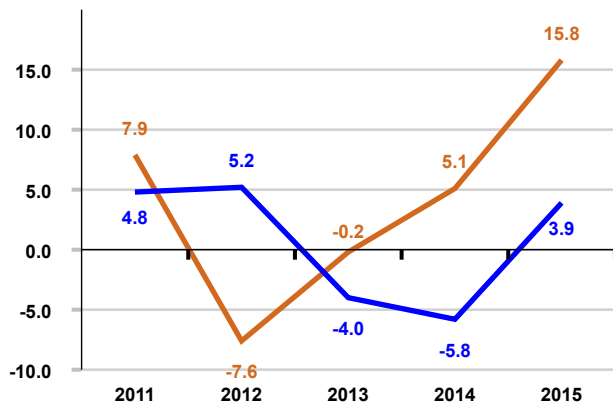
	Net Premiums Written (\$000)	Net Premiums Earned (\$000)	Loss Ratio	Expense Ratio	Underwriting Results (\$000)
Group	2,536	2,537	67.0	37.1	-104
Guaranteed renewable	27,487	27,555	53.5	46.2	99

Investment Results

Investment Gains

Year	Company							Industry Composite	
	Net Invest. Income (\$000)	Realized Capital Gains (\$000)	Unrealized Capital Gains (\$000)	Invest. Income Growth (%)	Invest. Yield (%)	Return on Invested Assets (%)	Pre-tax Invest Total Return (%)	Invest. Income Growth (%)	Invest. Yield (%)
2015	4,941	449	-1,001	15.8	4.7	5.8	5.23	3.9	4.4
2014	4,269	3,388	-2,852	5.1	4.2	7.6	5.72	-5.8	4.1
2013	4,061	208	2,221	-0.2	4.2	4.7	7.08	-4.0	4.2
2012	4,069	-13	699	-7.6	4.5	5.5	6.68	5.2	4.4
2011	4,402	541	-823	7.9	5.0	5.2	3.99	4.8	4.5
5-Yr Avg/Tot	21,742	4,574	-1,757	4.1	4.5	5.8	5.75	0.7	4.3
03/2016	1,308	5	140	11.3	4.8	4.7	1.33	XX	XX
03/2015	1,175	487	-701	12.0	4.3	8.1	1.08	XX	XX

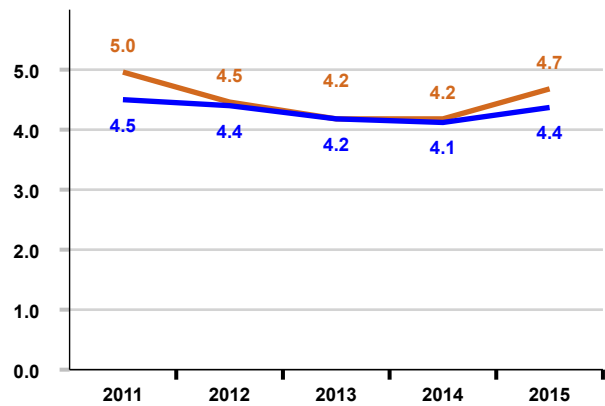
Investment Income Growth vs Industry



■ - Company Investment Income Growth (%)
■ - Industry Composite Investment Income Growth (%)

* Industry Composite - Individual Accident & Health Composite

Investment Yield vs Industry



■ - Company Investment Yield (%)
■ - Industry Composite Investment Yield (%)

* Industry Composite - Individual Accident & Health Composite

Balance Sheet Strength

Capitalization

Capitalization: LICOA's level of absolute capital and surplus has increased consistently due to net income, partially offset by unrealized capital gains and dividends to shareholders. Although capital and surplus growth has been inhibited somewhat in recent years due to modest annual shareholder dividend payments, the company maintains a favorable level of risk-adjusted capital for its insurance and investment risks based on its Best's Capital Adequacy Ratio (BCAR).

Current BCAR: 353

Capital Generation Analysis

Year	Source Of Surplus Growth (\$000)							% Change in Capital & Surplus
	Pre-tax Net Operating Gain	Realized Capital Gains	Income Taxes	Unrealized Capital Gains	Change in AVR	Other Changes	Change in Capital & Surplus	
2015	2,531	449	145	-1,001	-83	-264	1,487	4.0
2014	4,656	3,388	1,018	-2,852	242	-195	4,220	12.8
2013	2,700	208	243	2,221	-723	-486	3,677	12.5
2012	3,295	-13	264	699	-384	1,018	4,349	17.4
2011	3,347	541	828	-823	94	-153	2,178	9.5
5-Yr Total	16,529	4,574	2,498	-1,757	-855	-80	15,913	11.2
03/2016	1,335	5	186	140	-390	167	1,071	2.8
03/2015	321	487	-85	-701	305	134	629	1.7

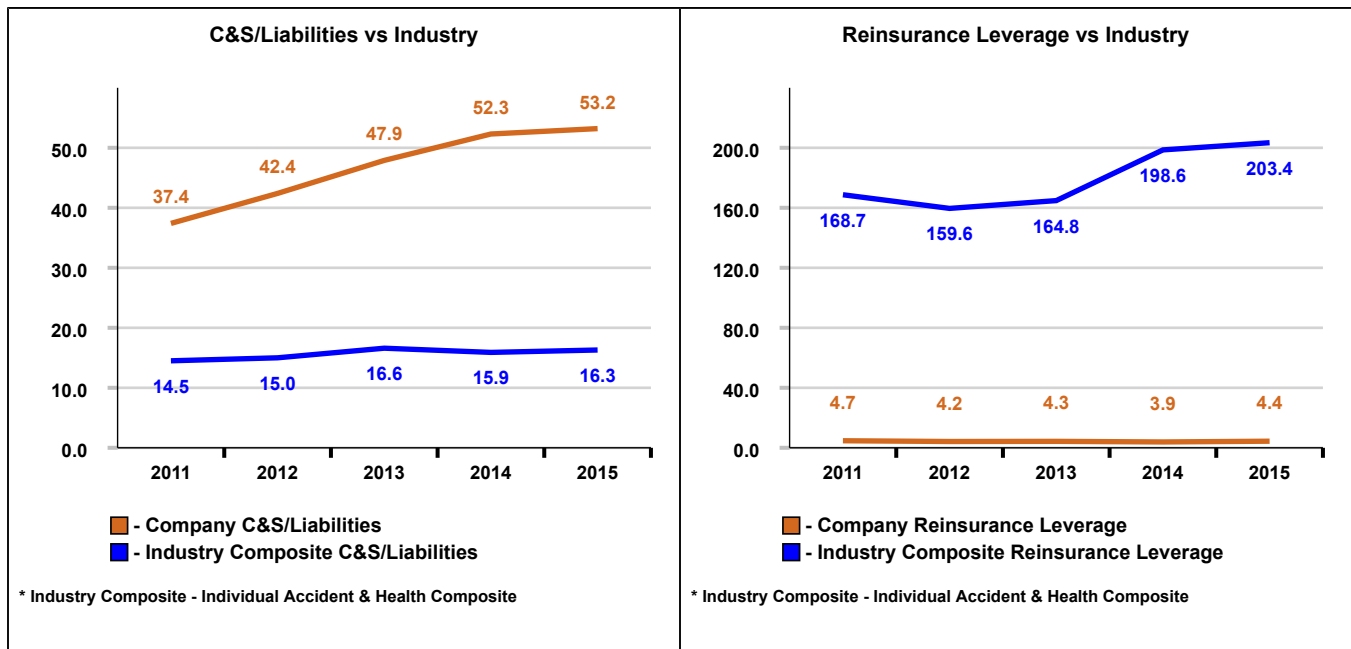
Quality of Surplus (\$000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus	Year End Capital & Surplus	Asset Valuation Reserve	Adjusted Capital & Surplus
2015	2,592	36,148	38,740	1,779	40,519
2014	2,592	34,660	37,253	1,696	38,949
2013	2,592	30,440	33,032	1,938	34,970
2012	2,592	26,763	29,355	1,215	30,570
2011	2,592	22,413	25,006	830	25,836
03/2016	2,592	37,219	39,812	2,169	41,980
03/2015	2,592	35,290	37,882	1,391	39,273

Underwriting Leverage

Leverage Analysis

Year	Company				Industry Composite	
	Capital & Surplus to Liabilities (%)	Surplus Relief (%)	NPW & Deposits to Total Capital	Change in NPW & Deposits (%)	Capital & Surplus to Liabilities (%)	Surplus Relief (%)
2015	53.2	...	0.9	-2.9	16.3	8.2
2014	52.3	...	1.0	0.6	15.9	6.4
2013	47.9	...	1.1	-2.1	16.6	4.9
2012	42.4	...	1.2	-3.2	15.0	5.2
2011	37.4	...	1.5	-4.1	14.5	3.9
03/2016	54.7	...	XX	XX	XX	XX
03/2015	52.3	...	XX	XX	XX	XX



Underwriting Leverage (Continued...)

Ceded Reinsurance Analysis

Year	Company						Industry Composite	
	Face Amount Reinsurance Ceded	Affiliated Reinsurance Recoverable / Capital & Surplus	Unaffiliated Reinsurance Recoverable / Capital & Surplus	Total Reinsurance Recoverable / Capital & Surplus	Surplus Relief	Reinsurance Leverage	Total Reinsurance Recoverable / Capital & Surplus	Reinsurance Leverage
2015	214,722	...	0.5	0.5	...	4.4	7.1	203.4
2014	205,449	...	0.1	0.1	...	3.9	6.1	198.6
2013	202,711	...	0.1	0.1	...	4.3	3.9	164.8
2012	175,986	...	0.2	0.2	...	4.2	4.2	159.6
2011	152,754	...	0.2	0.2	...	4.7	4.6	168.7

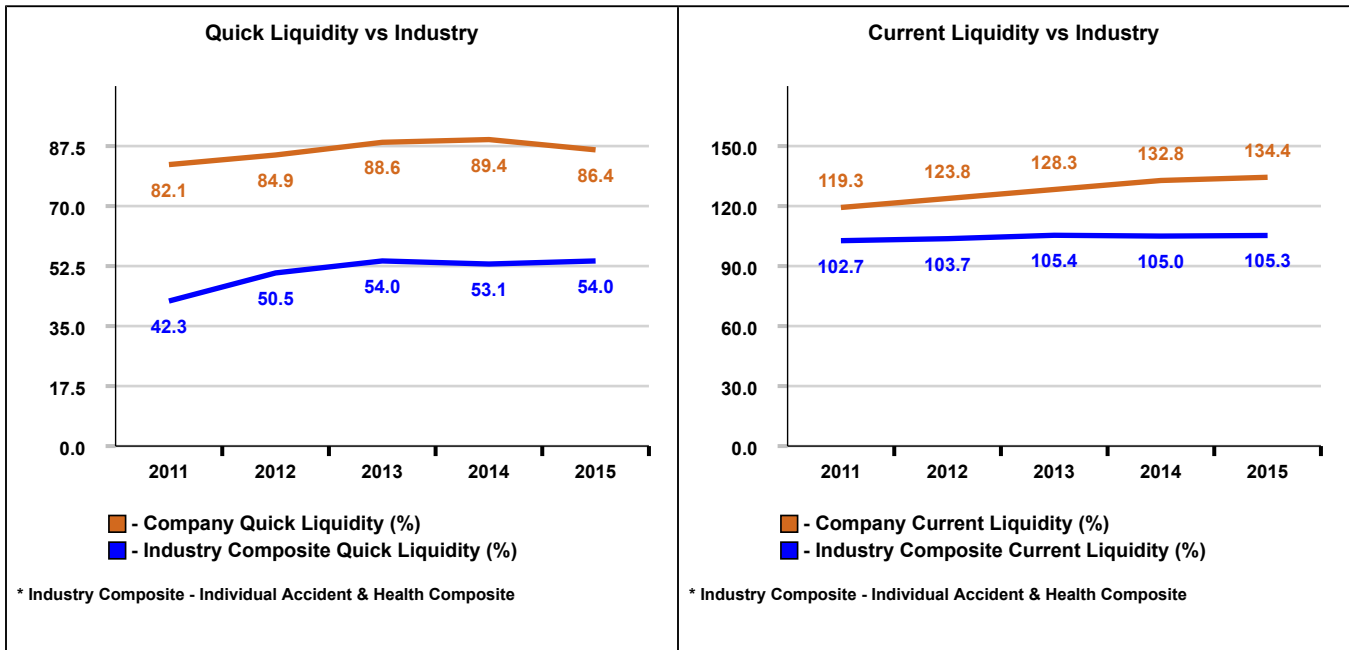
Liquidity

Liquidity: LICOA maintains an adequate liquidity level through its holding of over \$400,000 in cash and cash equivalents at year-end 2015. LICOA has maintained favorable liquidity ratios with overall liquidity remaining over one hundred percent of the past five years. Additionally, LICOA has consistently reported positive cash flows through this period.

Liquidity Analysis

Year	Company							Industry Composite	
	Operating Cash Flow (\$000)	Quick Liquidity	Current Liquidity	Non-Investment Grade Bonds / Capital	Delinq & Foreclosed Mortgage / Capital	Mtg & Cred Ten Lns & RE / Capital	Affiliated Investment to Capital	Quick Liquidity	Current Liquidity
2015	3,282	86.4	134.4	21.8	...	1.7	1.5	54.0	105.3
2014	4,475	89.4	132.8	13.7	...	1.5	1.2	53.1	105.0
2013	3,801	88.6	128.3	10.4	...	1.6	1.3	54.0	105.4
2012	4,618	84.9	123.8	9.3	...	1.8	1.4	50.5	103.7
2011	-959	82.1	119.3	9.1	...	2.2	1.7	42.3	102.7
03/2016	1,119	XX	134.9	43.9	...	1.6	1.4	XX	XX
03/2015	239	XX	134.3	18.9	...	1.4	1.2	XX	XX

Liquidity (Continued...)



Investments

Investments: 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 of over nine-tenths investment grade securities with an average maturity of nearly eleven years, and represent approximately nine-tenths of the invested asset portfolio. While approximately 90% of the bond portfolio is investment grade, LICOA has been increasing its exposure to class 2 bonds which represented more than three quarters of the bond portfolio at year-end 2015. 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, it sold all of this holding for a capital gain. The remainder of the portfolio consists of policy loans, Schedule BA Assets, cash & short-term investments and real estate.

Investment Yields (%)

Year	Net Yield	Bonds	Stocks	Mortgages	Cash & Short Term	Real Estate		Investment Expense Ratio
						Gross	Net	
2015	4.68	4.98	2.21	...	...	15.27	-6.67	7.23
2014	4.18	4.51	2.33	...	0.01	15.97	-5.85	7.81
2013	4.18	4.54	2.20	...	...	19.69	0.61	8.12
2012	4.46	4.75	2.90	...	0.01	20.79	5.28	7.68
2011	4.96	5.30	2.77	...	0.19	20.15	4.92	7.02

Investments - Bond Portfolio

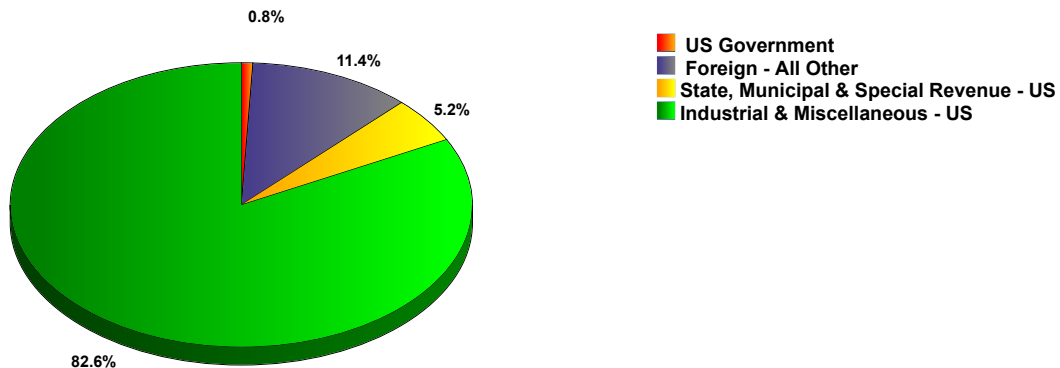
2015 Distribution By Maturity

	Years					Years Average Maturity
	0-1	1-5	5-10	10-20	20+	
Government	0.4	...	...	0.3	0.5	13.8
Government Agencies	2.9	1.0	0.7	0.6	...	3.6
Industrial & Miscellaneous	...	7.0	45.1	34.2	7.3	11.3
Total	3.4	8.0	45.8	35.2	7.7	10.9

Bond Distribution By Issuer Type

	2015	2014	2013	2012	2011
Bonds (\$000)	98,696	93,915	87,270	81,847	78,116
US Government	0.8	0.8	0.9	1.5	28.6
Foreign - All Other	11.4	2.4	...	...	...
State, Municipal & Special Revenue - US	5.2	47.7	63.5	63.6	...
Industrial & Miscellaneous - US	82.6	49.1	35.6	34.8	71.4

2015 Bond Distribution By Issuer Type



Bond Percent Private vs Public

	2015	2014	2013	2012	2011
Private Issues	0.5	...	...	...	...
Public Issues	99.5	100.0	100.0	100.0	100.0

Investments - Bond Portfolio (Continued...)

	Bond Quality				
	2015	2014	2013	2012	2011
Class 1	12.6	49.7	70.7	77.6	81.7
Class 2	78.5	44.6	25.1	18.9	15.3
Class 3	6.2	5.3	2.3	1.9	2.1
Class 4	1.5	0.2	1.5	1.1	0.8
Class 5	1.1	...	0.2	0.2	...
Class 6	0.1	0.1	0.1	0.2	0.2

Investments - Equity Portfolio

	2015	2014	2013	2012	2011
Total Stocks (\$000)	4,266	5,239	6,791	4,491	3,820
Unaffiliated Common	99.6	99.6	99.7	99.6	99.3
Unaffiliated Preferred	0.4	0.4	0.3	0.4	0.7

Investments - Mortgage Loans And Real Estate

	Real Estate				
	2015	2014	2013	2012	2011
Total Real Estate (\$000)	682	570	564	557	568
Property Occupied By Company	86.4	82.4	80.8	79.1	77.9
Property Held For Income	13.6	17.6	19.2	20.9	22.1

Investments - Other Invested Assets

	2015	2014	2013	2012	2011
Total Other Invested Assets (\$000)	4,882	5,453	5,973	8,603	6,353
Cash	-0.1	12.7	13.5	37.0	5.0
Short Term Investments	8.6	...	...	...	...
Schedule BA Investments	20.2	23.6	31.3	26.2	47.8
Investments	71.4	63.8	55.2	36.8	47.1

History

Date Incorporated: 07/28/1952

Date Commenced: 08/13/1952

Domicile: AL

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

Officers And Directors

Officers

Chairman of the Board and President: Clarence W. Daugette III	Vice President and Director: Michael P. Causey (Agency)
EVP and Chief Marketing Officer: Raymond R. Renfrow, Jr.	Vice President and Director: Kenneth W. Lewis (Marketing)
EVP and Treasurer: M. Lynn Lowe	Vice President: Hoyt R. Casey
SVP, Secretary, Actuary and COO: J. Steven Keck	Vice President: Jeffrey L. Casey
	Vice President: Katrina D. Hulsey

Directors

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

Regulatory

An examination of the financial condition was made as of December 31, 2012, by the insurance department of Alabama. The 2014 annual independent audit of the company was conducted by Thomas Howell Ferguson P.A. The annual statement of actuarial opinion is provided by J. Steven Keck, FSA, MAAA.

Reserve Basis: (Current ordinary business): 2001 CSO 3.50%; CRVM valuation.

Reinsurance

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, reinsure 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 August 31, 2007.

Balance Sheet (\$000)

Admitted Assets	YE 2015	YE 2014
Bonds	98,696	93,915
Preferred Stocks	19	19
Common Stocks	4,247	5,219
Mortgage Loans	...	...
Real Estate	682	570
Contract Loans	3,486	3,400
Cash & short-term Investments	411	690
Other Invested Assets	...	...
Premiums & Consideration Due	2,981	2,848
Investment income due & accrued	1,264	1,336
Other Assets	4,836	5,482
Total Assets	116,623	113,481

Liabilities & Surplus	YE 2015	YE 2014
+ Net Policy Reserves	64,410	62,832
Liabilities for deposit type contracts	1,347	1,325
Policy Claims	5,335	5,696
Interest maintenance reserve	1,831	1,284
Commissions, taxes and expenses	1,404	1,500
Asset Valuation Reserve	1,779	1,696
Other Liabilities	1,776	1,895
Total Liabilities	77,883	76,228

YE 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.

YE 2014: + Analysis of reserves; Life \$37,831; annuities \$1,777; supplementary contracts with life contingencies \$0; accidental death benefits \$44; disability active lives \$36; disability disabled lives \$53; miscellaneous reserves \$388; accident & health \$22,703.

Capital & Surplus	YE 2015	YE 2014
Common Stock	1,500	1,500
Common Stock - Treasury	-718	-718
Paid-in & Contributed Surplus	1,811	1,811
Unassigned Surplus	36,148	34,660
Total Liabilities & Surplus	116,623	113,481

Interim Balance Sheet (\$000)

Admitted Assets	03/31/2016
Total Bonds	99,525
Total Preferred Stocks	19
Total Common Stocks	4,391
Real Estate	669
Contract Loans	3,470
Cash & short-term investments	708
Other invested assets	...
Premiums & Consideration Due	3,138
Investment income due & accrued	1,687
Other assets	5,085
Total Assets	118,692

Liabilities & Surplus	03/31/2016
Net policy reserves	64,720
Liabilities for deposit type contracts	...
Policy claims	5,328
Interest maintenance reserve	1,633
Commissions, taxes and expenses	1,656
Asset Valuation Reserve	2,169
Other liabilities	3,375
Total liabilities	78,880

Capital & Surplus	03/31/2016
Common stock	1,500
Common Stock - Treasury	-718
Paid-in & contributed surplus	1,811
Unassigned surplus	37,219
Total liabilities & surplus	118,692

Summary Of 2015 Operations (\$000)

Income	2015	Disbursements	2015
Premiums:		Death benefits	3,239
Ordinary life premiums	6,245	Claims incurred (PC)	...
Individual annuities premiums	41	Matured endowments	...
Credit life premiums	...	Annuity & old age benefits	212
Group life premiums	5	Disability & Accident & Health benefits	...
Group annuities premiums	...	Coupons, annual endowments & similar benefits	7
Accident & Health group premiums	2,536	Surrender benefits	823
Accident & Health credit premiums	...	Group conversion	...
Accident & Health other premiums	27,487	Accident & Health benefits	16,202
Industrial life premiums	...	Interest on contract or deposit-type funds	48
Miscellaneous premiums	...	Payments on supplemental contracts	...
Premiums & annuity considerations	...	Accumulated coupon payments	...
Fraternal premiums	...	Total benefits recodes	...
Aviation reinsurance premiums	...	Increase in life reserves	1,401
Deposit type funds	...	Increase in accident & health reserves	178
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	36,313	Claim adjustment (PC only)	...
Supplementary contracts	...	Administrative expenses (PC only)	...
Coupon accum interest	...	Commissions on premiums & annuity considerations	6,839
Net investment income	4,941	Commissions & expenses on reinsurance assumed	...
Amortization of Interest Maintenance Reserve	133	Other commissions & expenses	...
Net operating gain from separate accounts	...	Reinsurance expenses	...
Commissions & expense allowance on reinsured	...	Interest expenses	...
Reserve adjustment on reinsurance ceded	...	Insurance taxes, licenses & fees	1,023
Reinsurance income	...	General insurance expenses	8,888
Other income	17	Net transfer to separate accounts	...
Difference between net earned & net written (PC only)	...	Other expenses	...
Management and/or service fees	...	Miscellaneous operating expenses	...
		Other disbursements	...
Total operating income	41,405	Total disbursements	38,861

Summary Of 2015 Operations (\$000) (Continued...)

Income	2015	Disbursements	2015
		Net operating gain before federal income taxes	...
		Net operating gain before taxes & dividends	2,544
		Net operating gain before refunds to members	...
		Dividends - life	13
		Dividends - accident & health	...
		Refund to members (fraternal only)	...
		Net operating gain after dividends & before taxes	2,531
		Federal income taxes	145
		Net operating gain	...
		Net operating gain after federal income taxes	...
		Net operating gain after dividends & taxes	2,386
		Net operating gain after refunds to members	...

Interim Summary Of Operations (\$000)

	Period Ended 03/31/2016	Period Ended 03/31/2015	Increase / Decrease
Premiums & annuity considerations	8,992	9,479	-487
Aviation reinsurance premiums	...	...	...
Deposit type funds	...	...	...
Employee benefits plan premiums	...	...	...
Deposit administration funds	...	...	...
Other premiums	...	...	...
Reinsurance premiums	...	...	...
Total premiums	8,992	9,479	-487
Supplementary contracts	...	...	...
Coupon accum interest	...	...	...
Net investment income	1,308	1,175	133
Amortization of Interest Maintenance Reserve	197	100	98
Net operating gain from separate accounts	...	...	...
Commissions & expense allowance on rein ceded	...	...	...
Reserve adjustment on reinsurance ceded	...	...	...
Other income	124	10	115
Difference between net earned & net written (PC only)	...	...	...
Total operating income	10,622	10,763	-141
Death benefits	267	970	-703
Claims incurred (PC)	...	...	...
Matured endowments	...	...	...
Annuity and old age benefits	130	47	83
Disability & Accident & Health benefits	3,946	4,126	-181
Coupons, annual endowments & similar benefits	2	3	...
Surrender benefits	257	228	30
Group conversion	...	...	...
Interest on contract or deposit-type funds	11	12	-1
Payments on supplemental contracts	...	...	...
Accumulated coupon payments	...	...	...
Total benefits recodes	...	...	...
Increase in liabilities for premium deposit funds	...	...	...
Change in reserves	309	552	-242
Claim adjustment (PC only)	...	...	...
Administrative expenses (PC only)	...	...	...
Commissions on premiums & annuity considerations	1,693	1,735	-42
Commissions & expenses on reinsurance assumed	...	...	...
Insurance taxes, licenses & fees	304	306	-2
General insurance expenses	2,365	2,461	-96

Interim Summary Of Operations (\$000) (Continued...)

	Period Ended 03/31/2016	Period Ended 03/31/2015	Increase / Decrease
Net transfer to separate accounts	...	...	...
Other disbursements	...	...	...
Total disbursements	9,284	10,439	-1,155
Net operating gain before federal income taxes	...	...	...
Net operating gain before taxes & dividends	1,338	324	1,014
Net operating gain before refunds to members	...	...	...
Dividends to policyholders	3	3	-1
Refund to members (fraternal only)	...	...	...
Net operating gain after dividends & before taxes	1,335	321	1,015
Federal income taxes	186	-85	271
Net operating gain after federal income taxes	...	...	...
Net operating gain after dividends & taxes	1,149	405	744
Net operating gain after refunds to members	...	...	...

Cash Flow Analysis (\$000)

Funds Provided	2015	Funds Applied	2015
Gross cash from operations	41,637	Benefit and loss payments	20,907
Transfers from separate accounts	...	Commissions, taxes & expenses paid	16,934
Federal income tax refunds	...	Transfers to separate accounts	...
Decrease in contract loans & premium notes	...	Dividends to policyholders	...
Bond proceeds	42,378	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	46,564
Borrowed money	...	Stocks acquired	...
Capital notes	...	Mortgage loans acquired	...
Other investment proceeds	...	Real estate acquired	...
		Collateral loans acquired	...
		Other investments acquired	...
		Dividends to stockholders	...
Total Other cash provided	3,024	Total Other cash apportioned	2,913
Decrease in cash & short-term investments	278	Increase in cash & short-term investments	...
Total	87,318	Total	87,318

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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