

Life Insurance Company of Alabama

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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:
April 9, 2019

Rating Effective Date:
March 26, 2019

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 26, 2019

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

Five Year Credit Rating History:

Date	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
	Rating	Outlook	Action	Rating	Outlook	Action
03/26/2019	B++	Stable	Affirmed	bbb	Stable	Affirmed
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

Rating Rationale:

Balance Sheet Strength: Very Strong

- Risk-adjusted capitalization assessed at strongest measures according to Best's Capital Adequacy Ratio (BCAR).

- Reduced investment risk in 2018 by disposing lower quality fixed income securities and replacing these with higher quality structured securities, and liquidating its entire stock portfolio and reinvesting the proceeds in high quality fixed income securities.
- Elevated level of NAIC Class 2 investment-grade fixed income securities held versus peers.
- Limited financial flexibility as the company lacks a parent company or a line of credit to draw capital, if needed.

Operating Performance: Adequate

- Grew premium slightly over the last two years due to higher life sales and rate increases in 2017, after reporting a gradual downward trend in earlier years.
- Except for 2018, has reported relatively consistent pre-tax net operating gains in recent years due to investment income exceeding generally unfavorable underwriting experience.
- In 2018, reported a pre-tax net operating loss and a nominal net loss due primarily to policy administration system conversion costs, higher first-year life sales costs, a state insurance examination fee, and reduced investment income.
- Although return on revenue has, on average, been on par with peers in recent years, return on equity has been below peers.

Business Profile: Limited

- Maintains a market niche among small to mid-size employer groups in rural areas and small towns in the Southeast.
- Retains a nominal share of the supplemental accident & health and life worksite markets within its primary operating area.
- Operates in highly competitive supplemental accident & health and life worksite markets with major competition provided by larger, better known carriers.
- Concentrated in cancer insurance as cancer products comprise 50% of premium, thereby increasing legal, regulatory, and market risks.
- Geographically concentrated as nearly 85% of direct premium is derived from five southeastern states.

Enterprise Risk Management: Marginal

- Implemented an enterprise risk management (ERM) program, initiated in 2017 to formalize the company's identified and emerging risks.
- Maintains a risk register scored by frequency, severity, and velocity; currently developing a formal template for each risk describing the risk and mitigating controls.
- Has maintained traditional risk management processes that include identification of risks matched with mitigation strategies.

Outlook

The stable outlooks reflect the company's very strong balance sheet assessment.

Rating Drivers

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

A negative rating action could occur if the company reports a decline in operating performance.

Financial Data Notes:

Time Period: Annual - 2018

Status: A.M. Best As Received

Key Financial Indicators:

Key Financial Indicators (000)

	Year End - December 31				
	2018	2017	2016	2015	2014
Assets	123,946	124,819	120,838	116,623	113,481
Policyholders' Surplus	41,368	42,457	40,629	38,740	37,253
Asset Valuation Reserve	753	2,774	2,274	1,779	1,696
Net Premiums Written	37,164	36,667	36,013	36,313	37,398
Net Investment Income	4,570	5,065	5,271	4,941	4,269
Net Income	-276	2,173	2,200	2,835	7,026

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.

(*) The most recent data contained in this report is "As Received" indicating that this financial data was recorded as it was received from the company. While the data provided were obtained from sources believed to be reliable, their accuracy cannot be guaranteed.

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

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	74.1	64.6	61.0	59.8

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

Credit Analysis:

Balance Sheet Strength: Very Strong

The balance sheet strength assessment of Life Insurance Company of Alabama (LICOA) is considered very strong based on A.M. Best's Capital Adequacy Ratio (BCAR). Except for a modest decline in 2018, absolute capital and surplus has grown over the past five years at a 4.6% compounded annual growth rate. The decline was due to an increase in non-admitted assets, an increase in net unrealized capital losses, stockholder dividends, and a nominal net loss, partially offset by a decrease in the asset valuation reserve and an increase in deferred income tax. In prior years, growth in absolute capital and surplus was generally driven by net income, periodic increases to unrealized capital gains, realized capital gains, and partially offset by periodic increases to unrealized capital losses and shareholder dividends. The company has paid annual shareholder dividends ranging from 8% to 10% of operating income. Capital growth has been further inhibited in recent years due to expenses for a new policy administration system and, in 2018, capital improvements to its headquarters building which drove higher non-admitted assets.

LICOA's leverage metrics have remained strong in recent years. The ratio of net premium to capital and surplus generally was at about 1 to 1 or less, which has resulted from capital growth outpacing overall relatively flat premium. Therefore, the company has excess capital to sustain premium growth. LICOA's ratio of capital and surplus to liabilities has ranged from the low to mid fifty percent, while its 5.1 percent reinsurance leverage ratio at year-end 2018 is regarded as low.

The company has maintained stable, adequate liquidity levels in recent years, with 151.5% overall and 128% current liquidity ratios reported at year-end 2018, which slightly declined from the prior year. Additionally, LICOA has consistently reported positive net operating cash flows annually during this period.

After historically engaging multiple asset management firms to simultaneously oversee its fixed income and equity securities, LICOA appointed a single firm in 2018 specializing in the insurance industry to manage its entire relatively conservative investment portfolio, aiming to improve credit quality, diversification, and asset/liability matching. At year-end 2018, fixed income securities comprised 90 percent of investments, with Schedule BA assets, policy loans, cash & short-term investments, and real estate comprising the remainder. Fixed income securities, entirely investment grade with an average maturity of nearly ten years, consist mostly of corporate issues and, to a lesser extent, US tax-free municipal issues. US government agency and foreign issues comprise the remainder. While LICOA has reduced the percentage of NAIC Class 2 issues in recent years, the company remains exposed to elevated downgrade risk as these issues comprised 47.8% of investment grade securities at year-end 2018, which exceeds the industry average. In 2018, LICOA disposed all of its below investment grade fixed income securities and replaced these with higher quality fixed income structured securities. Additionally, the company liquidated its entire stock portfolio and reinvested the proceeds in high quality fixed income securities. Schedule BA assets consist of five surplus notes and a venture fund, while real estate consists of its headquarters building.

Capitalization:

Capital Generation Analysis

	Year End - December 31				
	2018	2017	2016	2015	2014
Pre-Tax Net Operating Gain (\$000)	-843	2,376	2,379	2,531	4,656
Realized Capital Gains (\$000)	521	34	86	449	3,388
Income Taxes (\$000)	-46	237	265	145	1,018
Unrealized Capital Gains (\$000)	-1,475	680	364	-1,001	-2,852
Change in AVR (\$000)	2,020	-500	-495	-83	242
Other Changes (\$000)	-1,357	-525	-180	-264	-195
Change in Capital & Surplus (\$000)	-1,088	1,828	1,889	1,487	4,220
Change in Capital & Surplus (%)	-2.6	4.5	4.9	4.0	12.8

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

Liquidity Analysis

	Year End - December 31				
	2018	2017	2016	2015	2014
Operating Cash Flow (\$000)	1,969	3,720	3,279	3,282	4,475
Non-Investment Grade Bonds / Capital (%)	...	22.7	39.8	21.8	13.7
Mortgage Loans & RE to Capital (%)	2.6	1.6	1.5	1.7	1.5
Affiliated Investment to Capital (%)	2.3	1.3	1.3	1.5	1.2

Capitalization: (Continued...)

Liquidity Ratios (%)

	Company					Industry Composite				
	Year End - December 31					Year End - December 31				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
Quick Liquidity	90.1	89.2	80.5	86.4	89.4	...	53.0	53.8	53.2	53.0
Current Liquidity	128.3	136.6	135.2	134.4	132.8	...	97.9	98.9	105.2	105.1

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

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

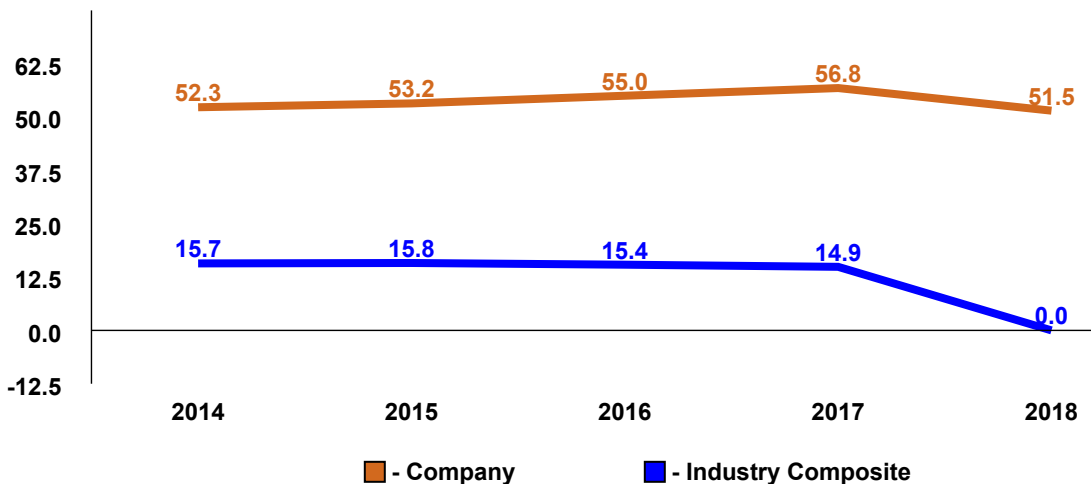
Leverage Analysis (%)

	Company					Industry Composite				
	Year End - December 31					Year End - December 31				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
Capital & Surplus to Liabilities	51.5	56.8	55.0	53.2	52.3	...	14.9	15.4	15.8	15.7
Reinsurance Leverage	5.1	4.5	4.1	4.4	3.9	...	186.4	175.4	211.2	201.9
NPW & Deposits to Total Capital	0.9	0.8	0.8	0.9	1.0	...	1.2	1.2	1.3	1.4
Change in NPW & Deposits	1.4	1.8	-0.8	-2.9	0.6	...	2.4	-4.3	-3.8	-40.2

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

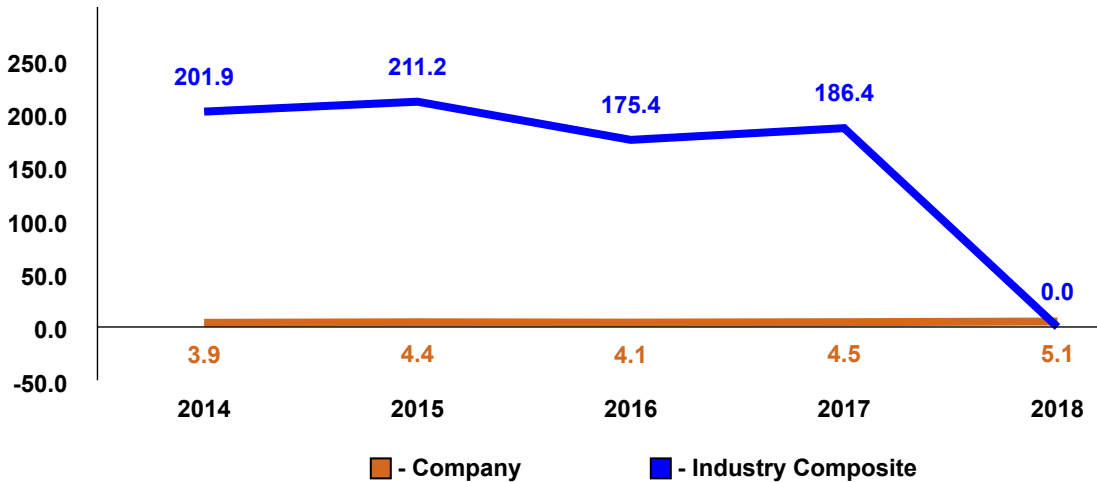


Source: Bestlink - Best's Statement File - L/H, US

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 - 2018 Bonds Distribution by Maturity (%)

	Years					Years Average Maturity
	0-1	1-5	5-10	10-20	20+	
Government	0.1	0.2	0.5	0.3	0.6	14.3
Government Agencies	1.5	2.1	14.4	12.1	1.9	10.7
Industrial & Miscellaneous	1.1	5.1	42.9	16.7	0.5	9.1
Total	2.6	7.4	57.9	29.1	3.0	9.7

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

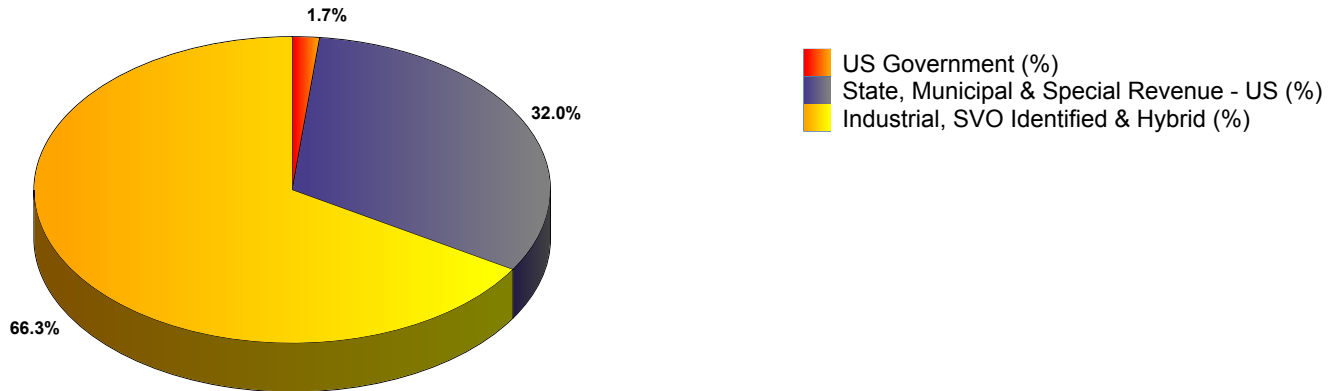
Bond Distribution by Issuer Type

	Year End - December 31				
	2018	2017	2016	2015	2014
Bonds (\$000)	103,211	101,745	101,228	98,696	93,915
US Government (%)	1.7	0.8	0.8	0.8	0.8
State, Municipal & Special Revenue - US (%)	32.0	19.8	9.2	5.2	47.7
Industrial, SVO Identified & Hybrid (%)	66.3	79.4	90.0	94.0	51.5

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

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

2018 Bond Distribution By Issuer Type



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

Operating Performance: Adequate

LICOA's operating performance is assessed as adequate. Overall, premium has remained relatively flat over the last five years. The company grew premium slightly over the last two years driven by higher life sales and rate increases in 2017 after incurring a slightly downward trend prior to 2017 due to lower sales, more reinsurance, and conversions from higher premium unlimited cancer policies to lower premium limited cancer policies.

Except for 2018, LICOA has reported relatively consistent pre-tax net operating gains in recent years due to stable investment income exceeding generally unfavorable underwriting experience. Unfavorable underwriting experience was driven by high claims in its run-off unlimited cancer business and higher than anticipated death claims, policy administration conversion costs, consulting fees, state guaranty association assessments, and higher first year life sales costs. In 2018, the company reported moderately higher unfavorable underwriting experience due primarily to continued policy administration system conversion costs, higher first year life sales costs, and a regulatory exam fee. This more unfavorable underwriting experience, coupled with moderately lower investment income, and partially offset by a moderate realized capital gain, resulted in a nominal net loss for the year. Investment income, after having annually grown before 2017, declined over the last two years due to the improved quality of the investment portfolio.

Operating performance metrics have been mixed in recent years with some volatility. Return on Revenue overall has been on par with peers over the last five years, while Return on Equity has been below peers. The loss ratio has generally increased from the periodic elevated claims in its unlimited cancer and life segments, while the expense ratio has grown due chiefly to policy administration system conversion costs and consulting expenses for investment management, enterprise risk management, and information technology.

Underwriting Results: (Continued...)

Profitability Test (%)

	Year End - December 31					5-YR Avg/Total
	2018	2017	2016	2015	2014	
Benefits Paid to NPW & Deposits	53.7	51.9	53.4	56.5	48.8	52.8
Commissions & Expenses to NPW & Deposits	56.2	51.6	49.7	46.1	46.7	50.1
Net Operating Gains to Total Assets	-0.6	1.7	1.8	2.1	3.3	1.6
Net Operating Gains to Total Revenues	-1.9	5.1	5.1	5.8	8.6	4.5
Operating Return on Equity	-1.9	5.1	5.3	6.3	10.4	4.8
Net Yield	4.00	4.49	4.84	4.68	4.18	4.44
Pre-tax Invest Total Return	2.87	5.57	5.39	5.23	5.72	4.93

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

Net Operating Gain (\$000)

	Year End - December 31				
	2018	2017	2016	2015	2014
Ordinary life	-884	819	157	310	297
Group life	-4	1	-1	-1	...
Supplementary contracts	41	44	53	43	29
Individual annuities	-17	-6	4	12	-9
Individual A&H	356	1,283	1,913	2,026	3,202
Group A&H	-290	-2	-12	-4	118
Total	-798	2,139	2,114	2,386	3,638

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

Accident & Health Statistics

	Year End - December 31				
	2018	2017	2016	2015	2014
Net Premiums Written (\$000)	30,056	30,184	29,979	30,023	31,375
Net Premiums Earned (\$000)	30,085	30,221	29,989	30,091	31,363
Loss Ratio (%)	54.9	51.5	50.0	54.7	48.2
Expense Ratio (%)	51.1	50.7	48.6	45.5	45.3
Underwriting Results (\$000)	-1,768	-668	423	-5	2,041

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. The company, licensed in 10 southeastern states and Oklahoma, wholly-owns LICOA Brokerage Service, Inc., a broker and agent service entity which markets its products.

LICOA maintains an established worksite market niche among small to mid-size employer groups, particularly governmental units and school systems, in rural areas and small towns in the Southeast. The company also markets individual products directly to families. LICOA markets primarily moderate risk supplemental accident & health products not subject to the regulations of the Affordable Care Act. These include cancer, accident, hospital indemnity and intensive care, critical illness, dental, vision, hearing, short-term disability, and major expense lump sum cancer/heart and heart/stroke expense. Its lower risk life business includes small face amount whole and term life products.

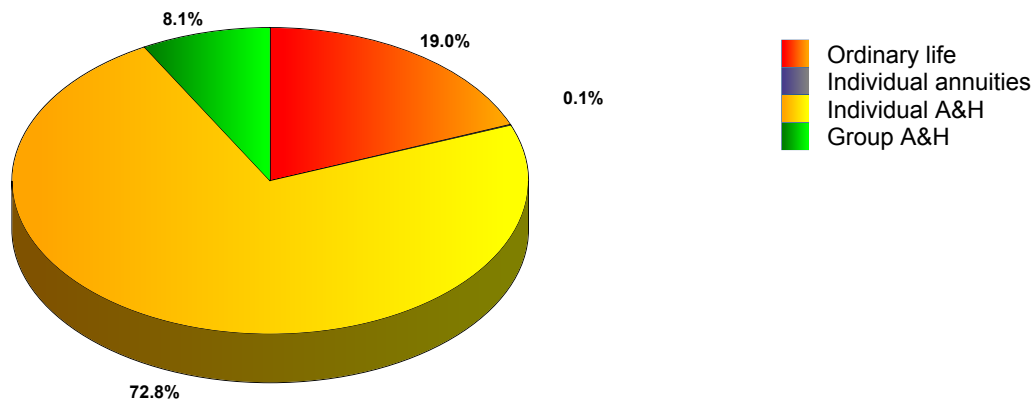
The company's business is concentrated in cancer products, as this segment comprises about 50% of net premium. Limited benefit and unlimited benefit cancer products comprise approximately 85% and 15%, respectively, of total cancer business. To offset historically high claims experience in its unlimited benefit products, LICOA has introduced a variety of limited benefit indemnity products, which include products with larger benefits. Additionally, 85% of direct premium is derived from five states with 30% derived from Alabama alone, resulting in geographic concentration.

Ancillary supplemental accident & health products represent about 30% of net premium. 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. Short-term disability products 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. The vision and hearing product is offered either as a rider to its worksite dental policy or as a stand-alone policy.

Life products comprise approximately 20% of net premium. 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 this business. Term life products consist of 10 or 20 Year Level Term Renewable and Convertible coverage, and include four products consisting of 10, 15, 20 and 30 Year Level Term coverage. The company modifies its life products periodically.

LICOA retains a nominal share of the supplemental accident & health and life worksite markets within its 10 state operating area, as these markets are highly competitive and dominated by larger, better known carriers. Approximately 950 active general and specialty agents market the company's products. Although its agents are not captive, certain ones exclusively sell for LICOA. Future sales growth is expected from further penetration of its employer groups in under-represented states within its current marketing area.

2018 Top Product Lines of Business (Net Premiums Written)



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

2018 By-Line Business

Product Line	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written	
	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)
Ordinary life	7,782	20.6	...	...	703	100.0	7,079	19.0
Group life	1	...	4	100.0	...	...	5	...
Individual annuities	24	0.1	...	...	...	...	24	0.1
Individual A&H	27,064	71.5	...	...	...	...	27,064	72.8
Group A&H	2,992	7.9	...	...	...	...	2,992	8.1
Total	37,862	100.0	4	100.0	703	100.0	37,164	100.0

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

Geographical Breakdown By Direct Premium Writings

	2018	2017	2016	2015	2014
Alabama	11,177	11,409	11,551	11,393	11,386
Mississippi	7,038	6,493	5,804	5,591	5,660
Georgia	5,477	5,666	5,527	5,564	5,682
Tennessee	5,332	5,235	5,403	5,721	6,137
Kentucky	2,789	2,874	2,890	2,918	2,973
South Carolina	2,314	2,415	2,433	2,473	2,531
Arkansas	1,289	1,170	1,151	1,138	1,387
North Carolina	887	923	896	1,050	1,114
Louisiana	538	468	373	354	350
Florida	384	383	396	412	427
All Other	83	85	100	104	113
Total	37,307	37,122	36,523	36,716	37,760

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

Enterprise Risk Management: Marginal

LICOA is in the process of implementing a formal Enterprise Risk Management (ERM) program under the guidance of an external ERM consultant. The company's Chief Operating Officer, who also serves as its Chief Risk Officer, oversees this program. Committees of the Board of Directors include Executive, Audit, Compensation, and Loan & Investment. Management has initially identified risk appetite, tolerances, and limits, and has developed a risk register identifying each risk and its owner. The company is now developing a formal template for each risk describing the risk and mitigating controls. The risk register contains pre-mitigation scores for risk frequency, severity, and velocity to develop an overall risk score to identify top risks, which include investment risk, ALM/credit risk, cyber/systems risk, competitive risk, and concentration risk. A mitigation list exists showing those risks which need to be addressed, those now being addressed, and those which have been addressed.

Investment management is outsourced to one newly appointed asset management firm specializing in the insurance industry. A new written policy governs investments and LICOA's asset management firm invests according to the parameters stipulated in the policy. The Chief Operating Officer is now developing a written business plan and is documenting all operating policies and procedures. The company engages its external audit firm to periodically review internal controls and perform internal audits. While its succession plan is unwritten, replacements have been identified for each departmental manager.

Regarding cyber security, the company employs firewalls for intrusion prevention, anti-virus software, and anti-spyware, and conducts annual penetration testing. It is now implementing a remote backup site. However, cyber liability coverage is not currently maintained.

Reinsurance Summary:

LICOA maintains several reinsurance agreements. 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. also reinsures, on a 50% coinsurance basis, 10, 15, 20 and 30 year term life policies and a whole life product effective July 7, 2010, with Life of Alabama having a maximum retention of \$100,000. 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 August 31, 2007.

Financial Statements:

Balance Sheet:

Balance Sheet:

Admitted Assets	Year End - December 31	
	2018 (\$000)	2017 (\$000)
Bonds	103,211	101,745
Preferred Stocks	...	19
Common Stocks	...	6,484
Real Estate	1,085	706
Contract Loans	3,949	3,815
Cash & short-term Investments	1,695	2,970
Other Invested Assets	4,581	386
Premiums & Consideration Due	3,410	3,130
Investment income due & accrued	1,016	1,261
Other Assets	4,999	4,303
Total Assets	123,946	124,819

Liabilities & Surplus	Year End - December 31	
	2018 (\$000)	2017 (\$000)
Net policy reserves (see components below)	69,624	67,521
Liabilities for deposit type contracts	1,078	1,192
Policy Claims	4,845	4,651
Interest maintenance reserve	1,479	1,980
Commissions, taxes and expenses	1,840	1,465
Asset Valuation Reserve	753	2,774
Other Liabilities	2,959	2,780
Total Liabilities	82,577	82,362

Components of net policy reserves - 2018: Life \$44,523; annuities \$1,492; supplementary contracts with life contingencies \$0; accidental death benefits \$46; disability active lives \$35; disability disabled lives \$53; miscellaneous reserves \$367; accident & health \$23,109.

Components of net policy reserves - 2017: Life \$42,837; annuities \$1,535; supplementary contracts with life contingencies \$0; accidental death benefits \$46; disability active lives \$38; disability disabled lives \$42; miscellaneous reserves \$380; accident & health \$22,643.

Balance Sheet: (Continued...)

Balance Sheet: (Continued...)

Capital & Surplus	Year End - December 31	
	2018 (\$000)	2017 (\$000)
Common Stock	1,500	1,500
Common Stock - Treasury	-718	-718
Paid-in & Contributed Surplus	1,810	1,810
Unassigned Surplus	38,776	39,865
Total Policyholders' Surplus	41,368	42,457
Total Liabilities & Surplus	123,946	124,819

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

Summary of Operations:

Summary of Operations (000)

Statement of Income	2018 (\$000)	Expenses	2018 (\$000)
Premiums:		Death benefits	2,845
Ordinary life premiums	7,079	Claims incurred (PC)	...
Individual annuities premiums	24	Matured endowments	...
Credit life premiums	...	Annuity & old age benefits	146
Group life premiums	5	Disability & Accident & Health benefits	...
Group annuities premiums	...	Coupons, annual endowments & similar benefits	5
Accident & Health group premiums	2,992	Surrender benefits	928
Accident & Health credit premiums	...	Group conversion	...
Accident & Health other premiums	27,064	Accident & Health benefits	16,012
Industrial life premiums	...	Interest on contract or deposit-type funds	37
Miscellaneous premiums	...	Payments on supplemental contracts	...
Premiums & annuity considerations	...	Accumulated coupon payments	...
Fraternal premiums	...	Total benefits recodes	...
Aviation reinsurance premiums	...	Increase in life reserves	1,636
Deposit type funds	...	Increase in accident & health reserves	466
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	37,164	Claim adjustment (PC only)	...
Supplementary contracts	...	Administrative expenses (PC only)	...
Coupon accum interest	...	Commissions on premiums & annuity considerations	7,864
Net investment income	4,570	Commissions & expenses on reinsurance assumed	...
Amortization of Interest Maintenance Reserve	224	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	1,235
Reinsurance income	...	General insurance expenses	11,802
Other income	190	Net transfer to separate accounts	...
Difference between net earned & net written (PC only)	...	Other expenses	3
Management and/or service fees	...		
Total operating income	42,148	Total expenses	42,981
		Net operating gain before federal income taxes	...
		Net operating gain before taxes & dividends	-833
		Net operating gain before refunds to members	...
		Dividends - life	11
		Dividends - accident & health	...
		Refund to members (fraternal only)	...

Summary of Operations: (Continued...)

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

Statement of Income	2018 (\$000)	Expenses	2018 (\$000)
		Net operating gain after dividends & before taxes	-843
		Federal income taxes	-46
		Net operating gain	...
		Net operating gain after federal income taxes	...
		Net operating gain after dividends & taxes	-798
		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	2018 (\$000)	Funds Applied	2018 (\$000)
Gross cash from operations	41,933	Benefit and loss payments	19,745
Transfers from separate accounts	...	Commissions, taxes & expenses paid	20,007
Federal income tax refunds	...	Transfers to separate accounts	...
Decrease in contract loans & premium notes	...	Dividends to policyholders	...
Bond proceeds	27,178	Federal income taxes paid	...
Stock proceeds	6,876	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	30,384
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	170	Total Other cash apportioned	7,296
Decrease in cash & short-term investments	1,275	Increase in cash & short-term investments	...
Total	77,433	Total	77,433

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

Life Insurance Company of Alabama

Report Revision Date:
July 8, 2019

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.

2018 Rank	Top 5 Lines of Business by NPW	
1	Individual A&H	72.8%
2	Ordinary life	19.0%
3	Group A&H	8.1%
4	Individual annuities	0.1%

2018 Rank	Top 5 Geographic Distribution by DPW	
1	United States: AL	30.0%
2	United States: MS	18.9%
3	United States: GA	14.7%
4	United States: TN	14.3%
5	United States: KY	7.5%

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

Company Management:

Last significant update on 04/09/2019

Officers

Chairman of the Board and President: Clarence W. Dauge III
EVP and CFO: Rosalie R. Causey
EVP and Chief Marketing Officer: Raymond R. Renfrow, Jr.
EVP and Chief Officer: Marvin L. Lowe (Government Relations)
SVP, Secretary, Actuary, COO and Chief Risk Officer: J. Steven Keck

Company Management: (Continued...)

Officers (Continued...)

Vice President and Director: Michael P. Causey (Agency)
Vice President and Director: Kenneth W. Lewis (Marketing)
Vice President: Hoyt R. Casey
Vice President: Debbie Edmondson
Vice President: Katrina D. Hulsey

Directors

Rosalie R. Causey
Herman W. Cobb, Jr.
Clarence W. Dauge III
Alburta D. Lowe
M. Lynn Lowe
Anne D. Renfrow
Raymond R. Renfrow, Jr.
Gerald R. Smith, Jr.

Regulatory:

Auditor: Thomas Howell Ferguson, PA

An examination of the financial condition was made as of December 31, 2017, by the insurance department of Alabama. The 2018 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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Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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