

# Life Insurance Company of Alabama

## ERM

The CRO reviewed the taxonomy and mitigation list quarterly in 2019, meeting with the risk owners as needed. The CRO regularly reported to the Board the status of the risk process as well as provided the results of the recent risk metrics.

While 2019 has been a challenging year for the Company, we continued to make progress on our ERM process. The legacy administrative system conversion was completed and we are working our way through the growing pains of that. Much of our resources have gone to the administrative system adoption/training, as such much of the ERM process time this year has been spent continuing to identify and document risks. There have been a few changes to how risks are viewed and reported. In the past the risk score included velocity as part of the calculation. This has been changed to only include frequency and severity, for ease in comparing pre- and post-mitigation scores. The velocity is to be used as an additional factor when determining the priority of risks to tackle, which may result in a low scored risk being on the mitigation strategy list sooner rather than later.

Initially a risk may not have a current status (the historical perspective is the current status) in the Risk Profile but will have an Action Plan. As this Action Plan is implemented a current status will be developed and eventually a post-mitigation score will be developed as the risk is re-evaluated. Eventually, as risks are reviewed, post-mitigation scores will be moved to the pre-mitigation score, the Action Plan will be removed and post-mitigation score will be removed from the Risk Profile. The risk will continue to be reviewed with risk scores adjusted and new Action Plans developed as needed.

In 2020 the CRO will continue to increase the frequency of meetings with risk owners. The following pages show some examples of risks/mitigations that have been reviewed this year. For a review of all the risks/mitigations that have been reviewed please refer to the addendum.

### Risk Appetite, Tolerance and Limits

	Target	Actual Results		
	floor	2017	2018	3Q 2019
AM Best Rating	B+	B++	B++	TBD
BCAR (VaR 99.6)	40	62.30	61.50	59.80
RBC (% ACL)	450%	1804%	1880%	1773%

# Life Insurance Company of Alabama (LICOA)

## Taxonomy Report

	Description
<b>CORPORATE</b>	
<b>Financial</b>	
Legal Risk	Risk of lawsuits
Consumer Privacy	Risk that policyholder personal information is compromised
Emerging Risks	Risks not currently on the list (e.g., AIDS would have been an emerging risk until the mid 1980s)
Policyholder/Product Regulatory Changes	External risk that reporting requirements will change
Investment Process Oversight	Risk that investments will not follow policy and/or management decisions or that procedures/process is vague or inadequate
Model Risk	Risk that LICOA's models do not perform the tasks or capture the risks they were designed for
Vendor Risk	Risk that a company counted on through an outsourced arrangement will not fulfill their obligations or creates reputational risk
Employee Benefits Funding	Financial risk that assets set aside to pay future benefits are insufficient from an economic or regulatory perspective
Liability Insurance	Risk that the cost to insure plant, property, and people will become excessive or that the proper coverage has not been purchased
Capital Adequacy	Risk that capital will be inadequate to support desired growth levels and external stakeholder requirements (e.g., regulators, rating agencies)
Financial Reporting	Risk that LICOA will not meet requirements set by regulators
Accessibility to capital	Risk that LICOA will not be able to access capital when it is needed to support growth or cash flow needs
Nontraditional Ventures (e.g., M&A)	Risk that opportunities chosen will not align with company strategy or that excessive resources will be diverted
Liquidity	Risk that LICOA may be unable to meet short term cash flow needs
Institutional Tax Law Changes	External risk that the tax burden will shift unexpectedly
Expenses - Level, Overhead, Inflation	Risk that expenses will be higher than planned, that product lines will not be able to support fixed costs, and that expense increases will be higher than priced for
<b>Workforce</b>	
Management Succession/Bench Strength	Risk that LICOA does not have an identified and qualified candidate when a senior position becomes vacant
Emerging Technology	Risk that LICOA will not be able to keep up with or take advantage of emerging technology
Recruitment/Retention - Employee	Risk that pool of candidates will be weak and higher caliber employees leave the firm
Information Technology - Security	Risk that unsanctioned person is able to access system
New System - Learning Curve	Risk that LICOA's new admin system takes longer to learn than anticipated (user speed slows for a period of time)
Facilities	Risk that buildings will not support continuous business due to events or passage of time or will be inadequate to meet our needs
Information Technology - Data Integrity	Risk that unsanctioned person is able to change information
Business Continuity	Risk that LICOA will not continuously transact business (e.g., tornado, fire, infectious disease)
Information Technology - System Availability	Risk that technology isn't continuously available
Print Shop - Availability	Risk that LICOA print shop experiences down time preventing timely distribution of materials
Coping With Change	Risk that some in the company will be averse to change
Social Media	Risk that LICOA's social media presences does not improve reputation
Salary/Benefits	Risk that LICOA will not offer competitive compensation packages
Quality of Workforce, Service	Risk that policyholders do not have consistently good experiences
Accountability	Risk that employees will not accept ownership of their responsibilities
Ethics & Employee Behavior	Risk that people operating on LICOA's behalf will perform acts inconsistent with an ethical culture
Associate Engagement	Risk that LICOA's culture will not support its goals
Quality of Management	Risk that LICOA's senior team is not able to lead the company forward
Training - Employee Development	Risk that staff does not developmentally grow to meet future needs
Facilities Security	Risk that employees are harmed onsite due to deliberate acts
<b>Holistic Risks</b>	
Rating	Risk that LICOA's rating is not as desired
ALM	Risk that cash inflow/outflow relationship due to interest rate risk is not optimized
Aggregation of Risks	Risk that LICOA has not diversified its risks
<b>ASSETS</b>	
<b>Credit Risk</b>	
Invested Assets	Risk that assets (CMO's, ABS, bonds, foreign securities and private placements) will not pay out as expected due to credit events, economic environment or call features
<b>Market Risk</b>	
Equity Market Risk	Risk that equities will drop in value or be more volatile than expected

# Life Insurance Company of Alabama (LICOA)

## Taxonomy Report

	Description
<b>LIABILITIES</b>	
<b>Product Management</b>	
Underwriting	Risk that policies will be issued with risk classifications that are better than the pricing assumption
Consumer Issues	Risk that policies will be inappropriately marketed to individuals
Competitor Pricing	Risk that market alternatives exist that offer superior perceived features to the policyholder
Policy Lapses	Risk that policyholders will persist at different rates than expected
Pricing Adequacy - Premium Risk	Risk that premium changes aren't able to be made to correct for morbidity or other pricing risks
Product Design	Risk that policy features are not marketable and/or profitable
Reserve adequacy	Risk that LICOA reserves are not sufficient to cover liabilities
Tail Risk of Liabilities	Risk that assumptions will not follow the expected statistical distribution during low frequency, high severity, events
Electronic commerce	Risk that LICOA doesn't meet the needs of policyholders for electronic commerce
Pricing Adequacy/Discipline	Risk that policies, in aggregate, will not meet target assumptions
Morbidity/Mortality	Risk that policyholders will have higher claims than expected as a group
Expense margin	Risk that expense allowables will not be met
New business	Risk that LICOA is unable to produce and process new business as desired
Reinsurance Counterparty Risk	Risk that a contract will not be upheld due to credit risk of another party (e.g., reinsurance or derivative)
<b>Moral Hazard</b>	
Antiselection	Risk that policyholders find holes in pricing relative to competitors and choose LICOA for cases that will not meet targets
Fraudulent Information	Risk that inaccurate information is presented and used by LICOA
Claims	Risk that fraudulent claims are submitted
<b>Distribution</b>	
Advertising	Risk that distributors will aim deceptive communications to potential customers including LICOA's name
Policy Churning	Risk that distributors will replace policies in order to maximize their own compensation
Distributor Retention/Succession	Risk that distributors do not continue with LICOA, or how to deal with blocks when retire
Distributor Recruitment	Risk that quality candidates are not successfully recruited
Concentration - customers, producers	Risk that claims/sales will be more volatile because little diversification exists (e.g., geographically, age group, etc.)
Distributor Productivity	Risk that distributors will not produce as much LICOA business as expected
Cost of Distribution	Risk that the variable and fixed expenses will exceed pricing assumptions
Anti-Money Laundering	Risk that an agent is not familiar with AML procedures
Distributor Fraud	Risk that distributors will assist policyholders unfairly
<b>Balance Sheet Management</b>	
Claims Paying Process	Risk that claims will not be paid properly
Surplus Strain	Risk that statutory accounting will cause results to look less favorable during a high growth period
Internal Controls	Risk that LICOA doesn't maintain sufficient internal controls
Mark-to-Market Risk	Risk that market volatility will exaggerate LICOA's financial condition
Premium Accounting Process	Risk that policyholders will be asked to pay an incorrect amount or it will not be processed efficiently
Expense Paying Process	Risk that expenses will not be paid properly
<b>Reputation</b>	
Cyber Risk/Internet	Risk of financial loss, disruption or damage from some sort of failure of LICOA's information technology systems
Corporate Image	Risk that LICOA loses credibility in the marketplace
Quality of Service	Risk that customer perception of service is poor
Ethics & Compliance	Risk that LICOA does not comply with regulatory requirements
<b>Market</b>	
Competition from other carriers	Risk that more carriers will enter our market
Untested Markets	Risk that LICOA enters a market where it is not familiar
Competition from new entrants	Risk that insurance will expand to include additional strong competitors from other industries
Uncontrolled Growth	Risk that sales exceed expectations without further analysis performed
Market Saturation	External risk that the industry finds few potential customers

# Life Insurance Company of Alabama (LICOA)

## Taxonomy Report

		Pre Mitigation		Risk Score		Post Mitigation		Risk Score		
		Owner	Frequency	Severity	Velocity	(F+2xS)	Frequency	Severity	Velocity	(F+2xS)
<b>CORPORATE</b>										
<b>Financial</b>										
Legal Risk	H Casey	3	7	5	17	2	4	3	10	
Consumer Privacy	Z Lindsey	2	7	7	16	2	4	5	10	
Emerging Risks	S Keck	4	6	7	16	0	0	0	0	
Policyholder/Product Regulatory Changes	S Keck	4	5	5	14	2	3	3	8	
Investment Process Oversight	A Causey	3	5	5	13	2	3	3	8	
Model Risk	S Keck	4	4	5	12	0	0	0	0	
Vendor Risk	T Cole	2	5	4	12	0	0	0	0	
Employee Benefits Funding	S Keck	3	4	5	11	0	0	0	0	
Liability Insurance	S Keck	3	4	5	11	2	3	4	8	
Capital Adequacy	S Keck	3	4	5	11	0	0	0	0	
Financial Reporting	K Hulsey	3	4	5	11	3	3	4	9	
Accessibility to capital	C Daugette	4	3	7	10	0	0	0	0	
Nontraditional Ventures (e.g., M&A)	C Daugette	2	4	7	10	0	0	0	0	
Liquidity	S Keck	2	4	5	10	0	0	0	0	
Institutional Tax Law Changes	K Hulsey	2	4	5	10	2	3	5	8	
Expenses - Level, Overhead, Inflation	S Keck	3	3	9	9	0	0	0	0	
<b>Workforce</b>										
Management Succession/Bench Strength	C Daugette	3	6	7	15	3	4	6	11	
Emerging Technology	T Cole	5	5	5	15	0	0	0	0	
Recruitment/Retention - Employee	C Daugette	3	6	5	15	0	0	0	0	
Information Technology - Security	T Cole	2	6	4	14	0	0	0	0	
New System - Learning Curve	S Jones	4	5	4	14	2	3	4	8	
Facilities	T Cole	4	5	3	14	0	0	0	0	
Information Technology - Data Integrity	S Jones	3	5	3	13	0	0	0	0	
Business Continuity	T Cole	2	5	4	12	0	0	0	0	
Information Technology - System Availability	T Cole	2	5	4	12	2	4	4	10	
Print Shop - Availability	T Cole	4	4	3	12	2	3	3	8	
Coping With Change	C Daugette	3	4	7	11	0	0	0	0	
Social Media	A Causey	3	4	6	11	0	0	0	0	
Salary/Benefits	C Daugette	3	4	4	11	0	0	0	0	
Quality of Workforce, Service	H Casey	2	4	7	10	0	0	0	0	
Accountability	C Daugette	3	3	7	9	0	0	0	0	
Ethics & Employee Behavior	C Daugette	3	3	7	9	0	0	0	0	
Associate Engagement	C Daugette	3	3	5	9	0	0	0	0	
Quality of Management	C Daugette	3	3	5	9	0	0	0	0	
Training - Employee Development	C Daugette	3	3	5	9	0	0	0	0	
Facilities Security	T Cole	3	3	4	9	2	3	3	8	
<b>Holistic Risks</b>										
Rating	A Causey	3	5	5	13	0	0	0	0	
ALM	S Keck	4	4	7	12	0	0	0	0	
Aggregation of Risks	S Keck	3	4	5	11	0	0	0	0	
<b>ASSETS</b>										
<b>Credit Risk</b>										
Invested Assets	A Causey	3	3	5	9	2	3	4	8	
<b>Market Risk</b>										
Equity Market Risk	A Causey	5	4	9	13	2	4	5	10	

Life Insurance Company of Alabama (LICOA)										
Taxonomy Report										
			Pre Mitigation			Risk Score	Post Mitigation			Risk Score
	Owner	Frequency	Severity	Velocity	(F+2xS)	Frequency	Severity	Velocity	(F+2xS)	
<b>LIABILITIES</b>										
<b>Product Management</b>										
Underwriting	D Edmondson	3	6	8	15	2	4	7	10	
Consumer Issues	M Causey/Lewis	3	5	7	13	3	4	7	11	
Competitor Pricing	S Keck	4	4	5	12	0	0	0	0	
Policy Lapses	S Keck	3	4	7	11	2	3	6	8	
Pricing Adequacy - Premium Risk	S Keck	3	4	5	11	2	3	5	8	
Product Design	S Keck	3	4	5	11	0	0	0	0	
Reserve adequacy	S Keck	3	4	5	11	2	2	3	6	
Tail Risk of Liabilities	S Keck	3	4	5	11	0	0	0	0	
Electronic commerce	M Causey/Lewis	3	4	4	11	3	3	4	9	
Pricing Adequacy/Discipline	S Keck	3	3	6	9	0	0	0	0	
Morbidity/Mortality	S Keck	3	3	5	9	2	2	4	6	
Expense margin	S Keck	3	3	4	9	0	0	0	0	
New business	M Causey/Lewis	3	3	3	9	2	2	3	6	
Reinsurance Counterparty Risk	S Keck	2	2	5	6	0	0	0	0	
<b>Moral Hazard</b>										
Antiselection	D Edmondson	3	6	7	15	2	4	5	10	
Fraudulent Information	H Casey	3	6	6	15	0	0	0	0	
Claims	H Casey	3	5	3	13	0	0	0	0	
<b>Distribution</b>										
Advertising	M Causey/Lewis	3	5	3	13	3	4	3	11	
Policy Churning	D Edmondson	4	4	5	12	3	3	4	9	
Distributor Retention/Succession	M Causey/Lewis	4	4	4	12	0	0	0	0	
Distributor Recruitment	M Causey/Lewis	3	4	4	11	0	0	0	0	
Concentration - customers, producers	M Causey/Lewis	2	4	3	10	0	0	0	0	
Distributor Productivity	M Causey/Lewis	3	3	3	9	0	0	0	0	
Cost of Distribution	M Causey/Lewis	3	3	3	9	0	0	0	0	
Anti-Money Laundering	M Causey/Lewis	3	3	3	9	2	2	3	6	
Distributor Fraud	M Causey/Lewis	3	2	2	7	0	0	0	0	
<b>Balance Sheet Management</b>										
Claims Paying Process	H Casey	2	5	8	12	1	3	5	7	
Surplus Strain	S Keck	4	4	5	12	3	3	4	9	
Internal Controls	A Causey	3	4	7	11	2	3	5	8	
Mark-to-Market Risk	K Hulsey	2	4	5	10	2	3	4	8	
Premium Accounting Process	K Hulsey	3	3	3	9	2	3	3	8	
Expense Paying Process	K Hulsey	3	2	3	7	2	2	3	6	
<b>Reputation</b>										
Cyber Risk/Internet	T Cole	4	5	6	14	2	4	3	10	
Corporate Image	C Daugette	3	4	9	11	0	0	0	0	
Quality of Service	Z Lindsey	2	4	7	10	0	0	0	0	
Ethics & Compliance	H Casey	2	3	2	8	0	0	0	0	
<b>Market</b>										
Competition from other carriers	M Causey/Lewis	4	4	3	12	0	0	0	0	
Untested Markets	M Causey/Lewis	3	4	5	11	0	0	0	0	
Competition from new entrants	M Causey/Lewis	5	3	3	11	0	0	0	0	
Uncontrolled Growth	S Keck	2	4	7	10	0	0	0	0	
Market Saturation	M Causey/Lewis	1	2	2	5	0	0	0	0	

# Life Insurance Company of Alabama (LICOA)

## Mitigation List

Risk	Owner	Pre Mitigation		Velocity	Risk Score	Definition
		Frequency	Severity		(F+2xS)	
Legal Risk	H Casey	3	7	5	17	Risk of lawsuits
Emerging Risks	S Keck	4	6	7	16	Risks not currently on the list (e.g., AIDS would have been an emerging risk until the mid 1980s)
Consumer Privacy	Z Lindsey	2	7	7	16	Risk that policyholder personal information is compromised
Underwriting	D Edmondson	3	6	8	15	Risk that policies will be issued with risk classifications that are better than the pricing assumption
Management Succession/Bench Strength	C Daugette	3	6	7	15	Risk that LICOA does not have an identified and qualified candidate when a senior position becomes vacant
Antiselection	D Edmondson	3	6	7	15	Risk that policyholders find holes in pricing relative to competitors and choose LICOA for cases that will not meet targets
Fraudulent Information	H Casey	3	6	6	15	Risk that inaccurate information is presented and used by LICOA
Emerging Technology	T Cole	5	5	5	15	Risk that LICOA will not be able to keep up with or take advantage of emerging technology
Recruitment/Retention - Employee	C Daugette	3	6	5	15	Risk that pool of candidates will be weak and higher caliber employees leave the firm
Cyber Risk/Internet	T Cole	4	5	6	14	Risk of financial loss, disruption or damage from some sort of failure of LICOA's information technology systems
New System - Learning Curve	S Jones	4	5	4	14	Risk that LICOA's new admin system takes longer to learn than anticipated (user speed slows for a period of time)
Equity Market Risk	A Causey	5	4	9	13	Risk that equities will drop in value or be more volatile than expected
Consumer Issues	M Causey/Lewis	3	5	7	13	Risk that policies will be inappropriately marketed to individuals
Investment Process Oversight	A Causey	3	5	5	13	Risk that investments will not follow policy and/or management decisions or that procedures/process is vague or inadequate
Rating	A Causey	3	5	5	13	Risk that LICOA's rating is not as desired
Advertising	M Causey/Lewis	3	5	3	13	Risk that distributors will aim deceptive communications to potential customers including LICOA's name
Claims Paying Process	H Casey	2	5	8	12	Risk that claims will not be paid properly
Competition from other carriers	M Causey/Lewis	4	4	3	12	Risk that more carriers will enter our market
Financial Reporting	K Hulsey	3	4	5	11	Risk that LICOA will not meet requirements set by regulators

Consumer Privacy  
Z Lindsey

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
5	Transferable
6	Time horizon
7	Historical Perspective
8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

CORPORATE - Financial	
Risk that policyholder personal information is compromised	
	2
	7
	7
	16
	2
	4
	5
	10
No	
On going	
Many stories in the news about data breaches	
Employee's are trained regarding privacy. Verify customer identity before discuss policy. IT department also handles data security to protect against hacking.	
Complaints from consumers/agents	
Secure login by consumer for minor information review or changes.	
Continue to monitor data security measures, train employees, perform security test	

Facilities Security

T Cole

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
6	Time horizon
7	Historical Perspective
8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

CORPORATE - Workforce	
Risk that employees are harmed onsite due to deliberate acts	
	3
	3
	4
	9
	2
	3
	3
	8
no	
On going	
minimal security with ability to enter at any time during workday	
Remodel of building has changed access points. Installing electronic locks and removing unescorted access to building	
Investigating key card access which will allow monitored and controlled access to building and departments	



ALM  
S Keck

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
5	Transferable
6	Time horizon
7	Historical Perspective
8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

CORPORATE - Holistic Risks	
Risk that cash inflow/outflow relationship due to interest rate risk is not optimized	
	4
	4
	7
	12
	0
	0
	0
	0
On going	
Generally only looked to passing of cash flow testing requirement. Working with investment managers to optimize the portfolio.	
Lower than desired returns, durations not in sync with industry	
Developing an EBAA (enterprise based asset adequacy) model to monitor the portfolio and ALM	

Invested Assets  
A Causey

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
5	Transferable
6	Time horizon
7	Historical Perspective
8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

ASSETS - Credit Risk	
Risk that assets (CMO's, ABS, bonds, foreign securities and private placements) will not pay out as expected due to credit events, economic environment or call features	
	3
	3
	5
	9
	2
	3
	4
	8
On going	
The economy drives the investments and the values of these investments drive surplus and investment income.	
New investment policy limits amounts that can be invested by class, credit quality and concentration	
Investment policy metrics	
Continue to monitor investments versus policy	

ALM  
S Keck

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
6	Time horizon
7	Historical Perspective
8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

CORPORATE - Holistic Risks	
Risk that cash inflow/outflow relationship due to interest rate risk is not optimized	
	4
	4
	7
	12
	0
	0
	0
	0
On going	
Generally only looked to passing of cash flow testing requirement. Working with investment managers to optimize the portfolio.	
Lower than desired returns, durations not in sync with industry	
Developing an EBAA (enterprise based asset allocation) model to monitor the portfolio and ALM	

Legal Risk  
H Casey

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
5	Transferable
6	Time horizon
7	Historical Perspective
8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

CORPORATE - Financial	
Risk of lawsuits	
	3
	7
	5
	17
	2
	4
	3
	10
No	
On going	
Contract language and claims practices have led to lawsuits	
Developing products that are more resistant to lawsuits. Consider legal risk as part of form development	
increased complaints	
none	
Continue to be diligent about legal risk in policies	

Investment Process Oversight  
A Causey

1	Risk Category	CORPORATE - Financial
2	Description of Risk	Risk that investments will not follow policy and/or management decisions or that procedures/process is vague or inadequate
3	Pre-Mitigation Scoring on a 1-10 scale	
	a Frequency (Likelihood/probability)	3
	b Severity (Impact/magnitude/significance)	5
	c Velocity (how quickly can it move)	5
	Total Score (F+2xS)	13
4	Post Mitigation on a 1-10 scale	
	a Frequency (Likelihood/probability)	2
	b Severity (Impact/magnitude/significance)	3
	c Velocity (how quickly can it move)	3
	Total Score (F+2xS)	8
5	Transferable	No
6	Time horizon	On going
7	Historical Perspective	Vague investment policy with no controls and little guidance
8	Current Status	Developed a more robust investment policy along with hiring a more experienced investment firm. Review investments in relation to the guidelines with monthly reporting to ensure following the policy. If an investment doesn't follow policy then a waiver is provided if acceptable or a change is made to bring the portfolio in line with policy.
9	Key Risk Indicators	Monthly reports indicate where portfolio is in relation to investment policy.
10	Future Opportunities	More visibility and oversight to ensure investment returns are in line with goals
11	Action Plan	Monitor monthly reports and have frequent discussions with investment managers and investment committee

Policyholder/Product Regulatory Changes  
S Keck

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
6	Time horizon
7	Historical Perspective
8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

CORPORATE - Financial	
External risk that reporting requirements will change	
	4
	5
	5
	14
	2
	3
	3
	8
No	
On going	
Periodic changes in regulations that affect financial reporting or product designs	
Attend industry meetings and review regulatory updates to stay current on rules/regulations. Internal and external auditors review workpapers for compliance.	
States will send notice of changes or errors in reporting. Policyholders/agents will notify if product issue	
Compliance person to help internally monitor changes	
Continue industry meetings, consultations with auditors and outside consultants about changes	

Expenses - Level, Overhead, Inflation  
S Keck

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
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11	Action Plan

CORPORATE - Financial	
Risk that expenses will be higher than planned, that product lines will not be able to support fixed costs, and that expense increases will be higher than priced for	
	3
	3
	9
	9
	0
	0
	0
	0
No	
On going	
Monitored financial reports primarily looking at bottom line. Review financial performance with an eye to what contributes to the results, especially if negative.	
Corporate losses, product line loss due higher than anticipated expense ratios	
Cost saving features as technology improves	
Monitor expenses and evaluate reasons for changes	

Accessibility to capital  
C Daugette

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
5	Transferable
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8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

CORPORATE - Financial	
Risk that LICOA will not be able to access capital when it is needed to support growth or cash flow needs	
	4
	3
	7
	10
	0
	0
	0
	0
Yes (line of credit)	
On going	
In the past there wasn't sufficient surplus to use to invest in the future. Plenty of surplus, currently and investments in stable/liquid assets.	
Potential membership in Federal Home Loan Bank for low cost funding	
Establishing a line of credit for use in the event of needs when doesn't make sense to divest of an asset	



Liability Insurance  
S Keck

1	Risk Category
	Description of Risk
2	
3	Pre-Mitigation Scoring on a 1-10 scale
	a Frequency (Likelihood/probability)
	b Severity (Impact/magnitude/significance)
	c Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
	a Frequency (Likelihood/probability)
	b Severity (Impact/magnitude/significance)
	c Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
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8	Current Status
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11	Action Plan

CORPORATE - Financial	
Risk that the cost to insure plant, property, and people will become excessive or that the proper coverage has not been purchased	
	3
	4
	5
	11
	2
	3
	4
	8
Yes (insuring company)	
On going	
Property insurance is still relatively inexpensive as is key man insurance. Purchased all appropriate insurance necessary, E&O, property, key man	
Rate increases or denial of renewal	
Property being maintained so that it retains value and insurability	

Liquidity  
S Keck

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
5	Transferable
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7	Historical Perspective
8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

CORPORATE - Financial	
Risk that LICOA may be unable to meet short term cash flow needs	
	2
	4
	5
	10
	0
	0
	0
	0
Yes (line of credit)	
On going	
Always potential to have a higher outflow than inflow month so need to be sure cash is left on hand. Cash balances reviewed in relation to checks issued to make sure sufficient cash is on hand. Investment manager maintains a healthy cash equivalents balance available to access should the funds be necessary.	
Reports indicating high expense/check amounts, low premium incomes	
Better reporting	
Establishing a line of credit for additional liquidity needs so as to keep maximum amounts invested.	

Model Risk  
S Keck

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
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11	Action Plan

CORPORATE - Financial	
Risk that LICOA's models do not perform the tasks or capture the risks they were designed for	
	4
	4
	5
	12
	0
	0
	0
	0
On going	
Model results inconsistent with actual results and can't be explained.	
Model results inconsistent with actual results and can't be explained.	
Models don't validate initial starting values or produce future results that make sense	
Continue to validate model to more adequately predict actual results and do more frequently.	

Financial Reporting  
K Hulsey

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
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8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

CORPORATE - Financial	
Risk that LICOA will not meet requirements set by regulators	
	3
	4
	5
	11
	3
	3
	4
	9
No	
On going	
State exams have found compliance issues in the past	
Review requirements annually. Audit procedures, both within financial reporting software and by internal/external auditors to ensure compliance	
Notifications from regulatory entities, audit results, examination results	
Continued review of requirements	

Institutional Tax Law Changes  
K Hulsey

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
6	Time horizon
7	Historical Perspective
8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

CORPORATE - Financial	
External risk that the tax burden will shift unexpectedly	
	2
	4
	5
	10
	2
	3
	5
	8
No	
On going	
Changes to tax law continuously debated/implemented	
Compliant with all tax rules. Employ outside firm to prepare taxes, reviewed by internal auditor and corporate accountant	
change in tax procedures and taxes due	
Continuing education classes regarding tax changes	
Continue to monitor tax legislation so as to not be surprised	

Management Succession/Bench Strength  
C Daugette

1	Risk Category
	Description of Risk
2	
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
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11	Action Plan

CORPORATE - Workforce	
Risk that LICOA does not have an identified and qualified candidate when a senior position becomes vacant	
	3
	6
	7
	15
	3
	4
	6
	11
	No
	On going
	State examiner issues and aging of officers
	Company management and Board of Directors review the officers and leadership on an annual basis and make necessary recommendations. No formal plan noted, however Board is aware and reviews as needed
	Aging and health of leadership
	Continued monitoring of leadership and open discussions with the board

Print Shop - Availability

T Cole

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
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10	Future Opportunities
11	Action Plan

CORPORATE - Workforce	
Risk that LICOA print shop experiences down time preventing timely distribution of materials	
	4
	4
	3
	12
	2
	3
	3
	8
On going	
Printers and other machinery have been down preventing us from providing needed resources.	
Multiple commercial printers and other equipment with service contracts with local providers.	
Machinery down and complaints coming in	
Remodel of area to handle work load more efficiently, including material and electrical demands. Training staff on use of machinery and troubleshooting. Continue to maintain local support staff for rapid response to issues.	

New System - Learning Curve  
S Jones

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
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11	Action Plan

CORPORATE - Workforce	
Risk that LICOA's new admin system takes longer to learn than anticipated (user speed slows for a period of time)	
	4
	5
	4
	14
	2
	3
	4
	8
No	
On going	
Have converted before and realize there are stresses and a learning curve	
New system is live. Initial training completed and continued training happening as move forward wth new system	
Monitor customer service metrics	
Growth opportunity due to flexibility of the new system as well as additional reporting opportunities	
Continued training and additional staffing	



Information Technology - System Availability  
T Cole

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
5	Transferable
6	Time horizon
7	Historical Perspective
8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

CORPORATE - Workforce	
Risk that technology isn't continuously available	
	2
	5
	4
	12
	2
	4
	4
	10
Yes (can outsource the DR)	
On going	
State exams have recommended developing and testing a plan in the past.	
Converting off old AS400 system onto a Windows based system. Establishing DR sites in Pennsylvania and Georgia. . Use VEEAM Backup Replication software to create daily and weekly backups of virtual and physical servers. This allows both virtual and physical machines to be restored to new VM environment or a new physical server. Tape backups also done and stored locally, daily along with a full backup on weekends.	
Develop recovery plan for physical workspaces in event of disaster	
Continue to review plan and test annually	

Rating  
A Causey

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
5	Transferable
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11	Action Plan

CORPORATE - Holistic Risks	
Risk that LICOA's rating is not as desired	
	3
	5
	5
	13
	0
	0
	0
	0
No	
On going	
<p>Many agents and employers use ratings as a guide to determine companies that they wish to do business. Has long been a goal to be an A rated carrier. Currently a notch below desired rating but continuing to make decisions in best interest of the company with an eye to achieving an A rating as well.</p>	
Insufficient growth and profits, sales concentration	
Continue to grow life sales, review product offerings to create growth, recruit quality agents in underserved markets to reduce sales concentration	

Equity Market Risk  
A Causey

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
5	Transferable
6	Time horizon
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11	Action Plan

ASSETS - Market Risk	
Risk that equities will drop in value or be more volatile than expected	
	5
	4
	9
	13
	2
	4
	5
	10
On going	
In the past the companies surplus ebbed and flowed based upon the valuation of a particular holding	
Completely divested of equities	
Equities as a percentage of surplus grows beyond desired metrics	
Continue to follow investment policy if decide to invest in equities. Currently analyzing an Enterprise Based Asset Allocation to see if a level of equity holdings would fit within corporate goals	

Underwriting  
D Edmondson

1	Risk Category
	Description of Risk
2	
3	Pre-Mitigation Scoring on a 1-10 scale
	a Frequency (Likelihood/probability)
	b Severity (Impact/magnitude/significance)
	c Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
	a Frequency (Likelihood/probability)
	b Severity (Impact/magnitude/significance)
	c Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
6	Time horizon
7	Historical Perspective
8	Current Status
9	Key Risk Indicators
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11	Action Plan

LIABILITIES - Product Management	
Risk that policies will be issued with risk classifications that are better than the pricing assumption	
	3
	6
	8
	15
	2
	4
	7
	10
Reinsurance and Agents E&O	
On going	
Company is aware that sometimes people provide inaccurate information or we miss some data	
Underwriting is aware of the potential risk. Company checks for previous insurance, and other U/W checks that are available such as Rx checks, rescind if necessary	
Excessive claims and early duration claims	
Include marketing and claims in monitoring this risk	
Continue to consult reinsurance company regarding unusual risks. Monitor experience, especially on special underwriting cases	

Consumer Issues  
M Causey/Lewis

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
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9	Key Risk Indicators
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11	Action Plan

LIABILITIES - Product Management	
Risk that policies will be inappropriately marketed to individuals	
	3
	5
	7
	13
	3
	4
	7
	11
Yes (E&O coverage)	
On going	
Agents are out to make a sale. Sometimes they sell something to someone that they do not need or misstatements will be made about the product	
Agents are trained regarding the products and the markets to which they are appropriate.	
Consumer complaints or issues arise during early duration claims adjudication	
Agent Training	
Research the particular incident and take appropriate action up to and including termination	

Policy Lapses  
S Keck

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
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8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

LIABILITIES - Product Management	
Risk that policyholders will persist at different rates than expected	
	3
	4
	7
	11
	2
	3
	6
	8
On going	
Despite reasonable sales levels the inforce is not growing	
Reviewing lapses/terminations by product to see how compare to expectation	
Inforce metrics changing differently than anticipated	
Perform periodic studies of terminations by product	

Competitor Pricing  
S Keck

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
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8	Current Status
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11	Action Plan

LIABILITIES - Product Management	
Risk that market alternatives exist that offer superior perceived features to the policyholder	
	4
	4
	5
	12
	0
	0
	0
	0
On going	
Agents frequently point to other carrier products.	
Address agents concerns as the arise. Review products available in market to determine if fit into company plans. Develop counterpoints to perceived product shortfalls.	

Morbidity/Mortality  
S Keck

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
6	Time horizon
7	Historical Perspective
8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

LIABILITIES - Product Management	
Risk that policyholders will have higher claims than expected as a group	
	3
	3
	5
	9
	2
	2
	4
	6
On going	
Claims in excess of expectation	
Reviewing life and health claims by product to see how compare to expectation	
Monitor loss ratios	
Perform periodic studies of claims by product. Adjust pricing as needed and file for necessary rate increases	



Electronic commerce  
M Causey/Lewis

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
5	Transferable
6	Time horizon
7	Historical Perspective
8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

LIABILITIES - Product Management	
Risk that LICOA doesn't meet the needs of policyholders for electronic commerce	
	3
	4
	4
	11
	3
	3
	4
	9
On going	
Old school paper applications only method	
Currently have an electronic application platform for agents use.	
Loss of opportunities due to not having electronic commerce available on platforms desired	
Develop new electronic application for agents use that feeds directly into administrative system to speed process. Develop electronic access for consumers to allow performance of maintenance such as address changes. Develop electronic application to allow our products to be put on other platforms as needed.	

New business  
M Causey/Lewis

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
6	Time horizon
7	Historical Perspective
8	Current Status
9	Key Risk Indicators
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11	Action Plan

LIABILITIES - Product Management	
Risk that LICOA is unable to produce and process new business as desired	
	3
	3
	3
	9
	2
	2
	3
	6
On going	
Large delays in processing of business	
New business is processed within a few days unless additional information is needed. .	
Complaints from agents about issue time	
Enhance method by which application information can directly enter administrative system and issuance can be automatio in some instances, thus removing personnell barriers. Develop products agents can sell that will meet sales and profitability goals	

Pricing Adequacy - Premium Risk  
S Keck

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
6	Time horizon
7	Historical Perspective
8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

LIABILITIES - Product Management	
Risk that premium changes aren't able to be made to correct for morbidity or other pricing risks	
	3
	4
	5
	11
	2
	3
	5
	8
On going	
Loss ratios getting out of hand	
Majority of rate filings approved. Occasionally a state disapproves of a filing due to volume or experience in that state.	
State specific loss ratios, difficulty in getting approvals	
Continue to file increases as experience warrants. Aggressively pursue denials. Monitor experience by state. Monitor regulatory actions regarding rate increases.	

Product Design  
S Keck

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
6	Time horizon
7	Historical Perspective
8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

LIABILITIES - Product Management	
Risk that policy features are not marketable and/or profitable	
	3
	4
	5
	11
	0
	0
	0
	0
On going	
Product developed that isnt accepted by sales force despite requests for it. Most products available for sale have some level of sales due to mutually agreed upon product features	
Decreased sales, negative feedback from field	
Create agent centric user group to discuss product design before embarking on new product.	

Reserve adequacy  
S Keck

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
6	Time horizon
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10	Future Opportunities
11	Action Plan

LIABILITIES - Product Management	
Risk that LICOA reserves are not sufficient to cover liabilities	
	3
	4
	5
	11
	2
	2
	3
	6
On going	
Without review, company can find itself in need of additional reserves to ensure liabilities are covered	
Perform annual asset adequacy analysis using Cash Flow Testing and Gross Premium Valuation to confirm reserve adequacy.	
Fail CFT scenarios or GPV	
Review assumptions and do further "what if" analysis over and above those required for CFT	

Antiselection  
D Edmondson

1	Risk Category
	Description of Risk
2	
3	Pre-Mitigation Scoring on a 1-10 scale
	a Frequency (Likelihood/probability)
	b Severity (Impact/magnitude/significance)
	c Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
	a Frequency (Likelihood/probability)
	b Severity (Impact/magnitude/significance)
	c Velocity (how quickly can it move)
	Total Score (F+2xS)
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11	Action Plan

LIABILITIES - Moral Hazard	
Risk that policyholders find holes in pricing relative to competitors and choose LICOA for cases that will not meet targets	
	3
	6
	7
	15
	2
	4
	5
	10
Possibly with reinsurance	
On going	
Agents/applicant know information that we don't ask about or they don't provide information	
Review applications with healthy dose of skepticism. Perform available U/W checks (Rx, MIB, etc)	
unusual amount of claims	
Change underwriting/benefits/premiums as necessary	
Perform periodic studies looking for unusual or early duration claims, change policies/applications as necessary to prevent	

Distributor Recruitment  
M Causey/Lewis

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
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8	Current Status
9	Key Risk Indicators
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11	Action Plan

LIABILITIES - Distribution	
Risk that quality candidates are not successfully recruited	
	3
	4
	4
	11
	0
	0
	0
	0
On going	
Agent appointments increase without a corresponding increase in production. Working to train new recruits and incentivise them to sell immediately.	
Sales decline, agent recruitment figures especially in relation to sales	
Work to develop products to attract agents as well as encourage fast starts from those that are recruited	

Policy Churning  
D Edmondson

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
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11	Action Plan

LIABILITIES - Distribution	
Risk that distributors will replace policies in order to maximize their own compensation	
	4
	4
	5
	12
	3
	3
	4
	9
No	
on going	
have seen large blocks come or go by a given agent	
relevant departments are aware of the possibility and try to watch for incidents. Training of agents and review of applications against available data	
Large drops or increases in blocks of policies for a given agent/agency	
Review procedural changes to help detect	
Review and rethink internal replacements, continue to train about vigilance for movement within an entire payroll group, track internal replacements	



Advertising  
M Causey/Lewis

1	Risk Category
	Description of Risk
2	
3	Pre-Mitigation Scoring on a 1-10 scale
	a Frequency (Likelihood/probability)
	b Severity (Impact/magnitude/significance)
	c Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
	a Frequency (Likelihood/probability)
	b Severity (Impact/magnitude/significance)
	c Velocity (how quickly can it move)
	Total Score (F+2xS)
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11	Action Plan

LIABILITIES - Distribution	
Risk that distributors will aim deceptive communications to potential customers including LICOA's name	
	3
	5
	3
	13
	3
	4
	3
	11
No	
On going	
The word of the agent is as if it is from the company. Without proper training sometimes things are said or done that aren't in compliance with company policy.	
Agent contract doesn't permit use of LICOA name or materials without permission. .	
Periodic review of various sites to ensure name is used properly	

Distributor Retention/Succession  
M Causey/Lewis

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
5	Transferable
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11	Action Plan

LIABILITIES - Distribution	
Risk that distributors do not continue with LICOA, or how to deal with blocks when retire	
	4
	4
	4
	12
	0
	0
	0
	0
No	
On going	
Many agents have been with the company for a long time and approaching retirement. Monitoring those who are over age 55 and discussing plans for continuation.	
Inforce for a given agent changes dramatically or sales drop substantially	
Opportunity to add agents and expand sales footprint	

Concentration - customers, producers  
M Causey/Lewis

1	Risk Category
	Description of Risk
2	
3	Pre-Mitigation Scoring on a 1-10 scale
	a Frequency (Likelihood/probability)
	b Severity (Impact/magnitude/significance)
	c Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
	a Frequency (Likelihood/probability)
	b Severity (Impact/magnitude/significance)
	c Velocity (how quickly can it move)
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LIABILITIES - Distribution	
Risk that claims/sales will be more volatile because little diversification exists (e.g., geographically, age group, etc.)	
	2
	4
	3
	10
	0
	0
	0
	0
Yes (diversify)	
On going	
Large percentage of business comes from only a few of the 11 we are licensed.	
Sales distribution continues to be heavily weighted by region	
Continued recruitment in all states licensed.	

Anti-Money Laundering  
M Causey/Lewis

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
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11	Action Plan

LIABILITIES - Distribution	
Risk that an agent is not familiar with AML procedures	
	3
	3
	3
	9
	2
	2
	3
	6
Yes (E&O)	
On going	
State examination found we weren't conducting AML training	
Notice sent to agents every 2 years to request proof of compliance with our AML policy.	
Penalize the agent if they do not comply	

Internal Controls  
A Causey

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
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11	Action Plan

LIABILITIES - Balance Sheet Management	
Risk that LICOA doesn't maintain sufficient internal controls	
	3
	4
	7
	11
	2
	3
	5
	8
No	
On going	
In past didn't spend a lot of time documenting or testing controls	
Use internal and external audit firms to review controls and make recommendations. Review the reports of the auditors and determine what actions to take. These recommendations are reviewed by the audit committee and board with necessary procedures/policies developed.	
Issues discovered by audit review	
Continue to review audit reports as well as ERM meetings	

Claims Paying Process  
H Casey

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
5	Transferable
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11	Action Plan

LIABILITIES - Balance Sheet Management	
Risk that claims will not be paid properly	
	2
	5
	8
	12
	1
	3
	5
	7
No	
On going	
Audits have found mistakes	
lower exposure for errors. Better training and audit procedures	
Increased payment errors, poor audit results, increased complaints	
Watch for newer, better claims systems	
Implement new claims system with improved audit functions, train employees, management reporting	

Surplus Strain  
S Keck

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
6	Time horizon
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11	Action Plan

LIABILITIES - Balance Sheet Management	
Risk that statutory accounting will cause results to look less favorable during a high growth period	
	4
	4
	5
	12
	3
	3
	4
	9
On going	
Companies have sold themselves out of business by selling at rates their surplus cannot handle.	
Current RBC level are quite high. Products are priced with surplus strain taken into account	
High growth in surplus straining products. RBC and BCAR scores	
Review surplus position and goals as part of product development process. Monitor metrics such as RBC and BCAR to ensure within tolerances.	

Mark-to-Market Risk  
K Hulsey

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
5	Transferable
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8	Current Status
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10	Future Opportunities
11	Action Plan

LIABILITIES - Balance Sheet Management	
Risk that market volatility will exaggerate LICOA's financial condition	
	2
	4
	5
	10
	2
	3
	4
	8
No	
On going	
Previous large investment in an equity caused company surplus to ebb and flow with the market value of that equity	
Increased surplus and lowered percentage of surplus that is invested in equities. Improved bond portfolio and new investment policy prevents large investment in low quality bonds	
Having to write down bonds due to downgrades, changes in statutory accounting requiring all bonds to be carried at fair value	
Hedging investment strategies to protect against volatility	
New investment manager helps monitor portfolio and regulatory environment to guide us through any changes	



Premium Accounting Process  
K Hulsey

1	Risk Category
	Description of Risk
2	
3	Pre-Mitigation Scoring on a 1-10 scale
	a Frequency (Likelihood/probability)
	b Severity (Impact/magnitude/significance)
	c Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
	a Frequency (Likelihood/probability)
	b Severity (Impact/magnitude/significance)
	c Velocity (how quickly can it move)
	Total Score (F+2xS)
5	Transferable
6	Time horizon
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11	Action Plan

LIABILITIES - Balance Sheet Management	
Risk that policyholders will be asked to pay an incorrect amount or it will not be processed efficiently	
	3
	3
	3
	9
	2
	3
	3
	8
No	
On going	
Complaints from agents about commissions due to premiums not being applied, large amount of premiums in suspense	
Increased staff, better assignment of groups, suspense account relatively low and constant. deposit and ledger accounts balanced regularly, timely review of error codes, review of past due reports, review of bills for accuracy	
Increased inquiries from policyholders, employers and agents	
Automation	
Continue to monitor suspense accounts and other risk indicators	

Expense Paying Process  
K Hulsey

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
5	Transferable
6	Time horizon
7	Historical Perspective
8	Current Status
9	Key Risk Indicators
10	Future Opportunities
11	Action Plan

LIABILITIES - Balance Sheet Management	
Risk that expenses will not be paid properly	
	3
	2
	3
	7
	2
	2
	3
	6
No	
On going	
Audit review determined some expenses weren't accurate	
Invoice approval required before payment is made, audit review of expenses. An officer and a senior officer must approve the expense for payment, internal and external auditors review expense procedures	
Past due notices or credits on future bills	
Investigate AP and ledger systems that have monitoring controls	
Continued review of the expense process and procedure	

Cyber Risk/Internet

T Cole

1	Risk Category
	Description of Risk
2	
3	Pre-Mitigation Scoring on a 1-10 scale
	a Frequency (Likelihood/probability)
	b Severity (Impact/magnitude/significance)
	c Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
	a Frequency (Likelihood/probability)
	b Severity (Impact/magnitude/significance)
	c Velocity (how quickly can it move)
	Total Score (F+2xS)
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LIABILITIES - Reputation	
Risk of financial loss, disruption or damage from some sort of failure of LICOA's information technology systems	
	4
	5
	6
	14
	2
	4
	3
	10
no	
on going	
Small company so often behind the curve about technology changes	
Staying vigilant about possible attacks. Firewall and virus/malware protection implemented to address cyber risk	
Cyber attacks	
Attacks elsewhere create new defensive measures internally, use of auditors and outside vendors to review procedures and test vulnerabilities	
Continued education of the IT department and end users	

Untested Markets  
M Causey/Lewis

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
	Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale
a	Frequency (Likelihood/probability)
b	Severity (Impact/magnitude/significance)
c	Velocity (how quickly can it move)
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LIABILITIES - Market	
Risk that LICOA enters a market where it is not familiar	
	3
	4
	5
	11
	0
	0
	0
	0
No	
On going	
Entered OK many years ago and haven't seen appreciable sales yet. Still hesitant to enter new markets as a result of OK case.	
Research the market before entering and partner with reliable people when doing so. If an agent wants something in a new market, have them prove themselves in an existing market.	

Market Saturation  
M Causey/Lewis

1	Risk Category
2	Description of Risk
3	Pre-Mitigation Scoring on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
4	Post Mitigation on a 1-10 scale a Frequency (Likelihood/probability) b Severity (Impact/magnitude/significance) c Velocity (how quickly can it move) Total Score (F+2xS)
5	Transferable
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LIABILITIES - Market	
External risk that the industry finds few potential customers	
	1
	2
	2
	5
	0
	0
	0
	0
Yes (expand market)	
On going	
Fewer markets for our agents to work. Majority of products are available both on an individual basis and at the employer. Agents finding new ways to get to see potential clients such as joining association groups.	
Sales decline	
Continue to find new ways to help agents engage potential clients. Continue to develop relevant products that consumers desire	