

Life Insurance Company of Alabama

ERM –Mitigation Summary

LICOA is developing formal templates for each of its identified risks. An initial pass of primary risks follow this summary. A wide variety of risks are shown. A risk being included here does not mean that risk norms have been breached.

1. Risk (risk score - 25) - The board of directors (or committee thereof) and management do not effectively monitor or supervise contracted third parties in the implementation of the investment policy/strategy.

Mitigation – A revised investment policy was drafted by management and approved by the board of directors in 2017. This policy is provided to the contracted investment firm. New England Asset Management was contracted with in 2017 and began work in 2018. Any transaction that is a deviation from the policy must be approved, in writing, by the company, called a waiver, before the investment firm may perform those transactions. The investment firm provides reporting on at least a quarterly basis of the transactions performed as well as any positions that are out of compliance with the policy.

2. Risk (risk score - 24) – The company doesn't have a formal succession plan

Mitigation – while the company does not have a formal plan in writing, the Company and Board of Directors review the officers and leadership on an annual basis and make any necessary recommendations.

3. Risk (risk score - 25) – LICOA doesn't maintain sufficient internal controls

Mitigation – LICOA uses an outside audit firm to perform internal audits to review controls and make recommendations where issues may exist. These recommendations are reviewed by the audit committee, company and board, and procedures are implemented where necessary. These items are further reviewed by the company external auditors as well as the state examiners.

4. Risk (risk score - 25) – Investments will not follow policy

Mitigation – new investment policy and have hired a new investment firm that works within the guidelines of the policy and produces monthly reporting to ensure the company is following policy.