

February 4, 2015

Meeting of Audit Committee of Life Insurance Company of Alabama

Members present: G. Ray Smith, Chairman, Alie Renfrow Causey, Internal Auditor, Steve Keck, Exec. V.P. & Secretary

The meeting was held at the office of Mr. Smith at 10:00 am.

There was discussion concerning the outstanding items from the reports previously presented by Roger Boatner, Internal Auditor from Willis, Boatner and Whiteside.

Mr. Keck reported that after an initial analysis of the amount of checks coming in that a procedure is being considered whereby dual controls will be in place to track the checks coming in and verify that the checks received are deposited. This process would require 2 persons from the mailroom to be present while a list of the checks received is created. A copy of this list would be kept in the mailroom and a copy would go to cashiers for balancing against the deposits.

Mr. Keck reported that the company is talking with a couple of investment reporting firms (Sungard and Clearwater Analytics) to see what services they can provide to help streamline our investment accounting process as well as provide additional analysis of compliance with our investment policy.

Mr. Keck informed the committee that Katrina will now present an analysis of bonds comparing their market value and cost and that this analysis will be presented to senior management and the board on a quarterly basis.

There being no other business the meeting was adjourned.

**QUARTERLY MEETING OF THE
BOARD OF DIRECTORS**

Monday, February 9, 2015

The 2014 fourth quarter meeting of the Board of Directors of Life Insurance Company of Alabama convened at 10:30am, Monday, February 9, 2015 in the Rutledge Library, Life of Alabama building, 302 Broad Street, Gadsden, Alabama. The meeting was called to order by the Chairman, Clarence W. Daugeette, III who presided over the meeting. The invocation was given by M. Lynn Lowe.

ROLL CALL:

The Roll Call revealed that members of the Board were present as follows:

Rosalie Renfrow Causey
Herman Warren Cobb
Clarence W. Daugeette, III
Alburta Daugeette Lowe
M. Lynn Lowe

Lucian Newman, MD
Thomas W. Miller
Anne Daugeette Renfrow
Raymond R. Renfrow, Jr.
Gerald Ray Smith, Jr.

Also Present: Director Emeritus, Robert W. Echols, Jr.

The Chairman declared a quorum present and the meeting duly qualified for the transaction of business.

MINUTES:

The Chairman asked the pleasure of the Board concerning the reading of the minutes from the previous meeting. Alburta D. Lowe moved that the minutes not be read and upon second by Thomas W. Miller the motion carried unanimously.

RESOLUTION:

The Chairman, Clarence W. Daugeette, III read a resolution honoring Vice President and Agency Director Clarence W. Bracewell, Jr. A motion was made by Raymond R. Renfrow, Jr. and seconded by M. Lynn Lowe to adopt the resolution into permanent record. The motion carried unanimously.

COMMITTEE REPORTS:**Agency Department:**

Executive Vice President, Raymond R. Renfrow, Jr. expressed his loss of Vice President and Agency Director Clarence W. Bracewell, Jr. (Chuck). He then reported to the Board the new positions to be filled in the Agency department:

Vice President and Agency Director – Michael P. Causey

Vice President and Marketing Director – Kenneth W. Lewis

Michael will run the day to day operation of the Agency Department and Ken will be in charge of recruiting new agents. They will work closely together to continue to grow the Agency Department.

A motion was made by Raymond R. Renfrow, Jr. to accept the two new positions in the Agency Department. The motion was seconded by Thomas W. Miller and passed unanimously by the Board.

Mr. Renfrow led a discussion to set the two salaries for Michael Causey and Ken Lewis. He discussed rolling over their commissions into salaries, since they will no longer be eligible to accept commissions as an officer. A motion was made by Raymond R. Renfrow, Jr. to accept the salaries set for new Agency Director Michael Causey and Marketing Director Ken Lewis. The motion was seconded by Herman Warren Cobb and passed unanimously by the Board.

Other items of interest in the Agency Department: the Mariner's Club Convention to Ireland is in the final stages of preparation for May 2015, the computer enrollment system is undergoing updating, and January 2015 was a good month for Life of Alabama.

Investment Committee:

Executive Vice President M. Lynn Lowe reviewed the Company's equity investment portfolio as of December 31, 2014 indicating that the market value of the portfolio was \$5,468,957 with an overall year yield of 7.8%. The market value of the bond portfolio was \$97,964,000 with an overall yield of 5.49%. The bond portfolio allocation is 53% Corporate bonds and 40% Municipal bonds.

Mr. Lowe shared that the sale of Protective Life Corporation to Daichi-Life was complete. And, that all 80,000 shares owned by Life of Alabama had been liquidated.

Mr. Lowe moved in the form of a motion that the Board approve all the transactions taken by the Company regarding bonds and stock sold, redeemed or otherwise disposed of during the quarter as shown on Schedule D-Part 4 (Items One Attached) of the Quarterly Statement. The motion was seconded by Alburta D. Lowe and passed unanimously by the Board.

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Alburta Daugette Lowe
M. Lynn Lowe

Lucian Newman, MD
Thomas W. Miller
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M. Lynn Lowe presented the following Amendment to the Investment Policy:

II. OPERATING PARAMETERS

D. Maximum holdings of AAA, AA credit will be \$2,000,000 per cusip, limits for investment grade or better \$1,000,000 per cusip. The above limits do not apply to Government and Agency issues or those guaranteed by the US Government.

Amendment to read:

II. OPERATING PARAMETERS

D. Maximum holdings of AAA, AA credit will be \$2,000,000 per cusip, limits for investment grade or better \$2,000,000 per cusip. The above limits do not apply to Government and Agency issues or those guaranteed by the US Government.

After a discussion of the Amendment, a motion was made by Gerald Ray Smith, Jr. to accept the Investment Policy amendment as written. The motion was seconded by Alburta D. Lowe and carried unanimously.

Compensation Committee

Thomas W. Miller, Chairman of the Compensation Committee reported that they had met and approved in the form of a motion a bonus based on the results of the fourth quarter (\$1,600,000) for all officers and employees. The total bonus in aggregate amounts to \$263,998. The motion was seconded by Lucian Newman, MD and carried unanimously.

Audit Committee

Gerald R. Smith, Jr., Chairman of the Audit Committee reported that the committee had met recently and reviewed the outstanding items requiring corrective action previously identified by the internal and external auditors and the state examiners. The Committee is waiting for the 4th Quarter review from the internal auditors at the time of the meeting.

FOURTH QUARTER REPORT:

Vice President, Katrina D. Hulse, CPA joined the meeting and reviewed highlights of the 2014 Year End Financial Statement.

- Net Income for 4th Quarter 2014 - \$1,600,000
- Net Income Year to Date 2014 - \$4,661,000

Out of the Ordinary Events that happened in 2014

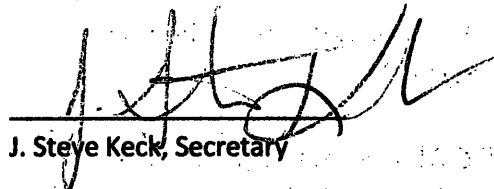
1. Disposal of Protective Life Corporation Stock while fair market value was up 68,771 shares sold for \$4,500,000 profit
2. Sears Bond sold for a loss \$85,000
3. Company Computer System Upgrade:
 - a. Expenses for 2014 were up due to paying half of the new administrative system fees in 2014
 - b. \$750,000 cost as incurred
 - c. \$80,000 cost for new servers and software
 - d. \$130,000 prepaid assets

Recommendations by the Chairman:

1. Fees for Directors – The \$500 for Board Meetings and \$300 for Committee Meetings remain the same. A Motion was made by Anne D. Renfrow to set the fees as stated. The motion was seconded by Lucian Newman, MD and carried unanimously by the board.
2. Set Date for Annual Meeting – That Monday, May 4, 2015 @11:00am in Daugeette Auditorium, be declared as date and time of the Annual Meeting of Stockholders. And, that the meeting of the Board of Directors be held in Rutledge Library immediately following adjournment of the Stockholder's meeting. A motion was made by Raymond R. Renfrow, Jr. to set the date for the 2015 Annual Meeting. The motion was seconded by Thomas W. Miller and carried unanimously by the board.
3. Nominees for Election to the Board of Directors
Clarence W. Daugeette, III made a motion to accept the Nominations for the Board of Directors as it is currently set with no new nominations. The motion was seconded by M. Lynn Lowe and carried unanimously by the board.
4. Dividends to Stockholders – The payment of a cash dividend totaling 10% of the operating income. The total dividend paid will amount to approximately \$475,000. Alburta D. Lowe made a motion to accept the Dividend to Stockholders as recommended. The motion was seconded by Gerald R. Smith, Jr. and carried unanimously.
5. Dividends to Policyholders and Interest on Monies Retained by the Company – The renewal of the resolution detailing dividend payments as printed on page 31 of this corporate minute book. Motion by Ray R. Renfrow, Jr. to maintain Dividends to Policyholders as currently stated. A second from M. Lynn Lowe, and the motion carried unanimously.
6. Reinsurance and Retention – The \$100,000 reinsurance and retention level held by the company remain the same. Lucian Newman, MD made a motion to accept the Reinsurance and Retention as currently stated. Thomas W. Miller seconded the motion and it carried unanimously.

7. **Ratify Actions of Officers and Committees since last Annual Meeting**
Gerald R. Smith, Jr. made a motion to Ratify Actions of Officers and Committee since the last Annual Meeting. Upon a second from Alburta D. Lowe, the motion carried unanimously.
8. **Profit Sharing Contributions – The Company make a \$200,000 discretionary contribution to the employees profit sharing plan. M. Lynn Lowe made a motion to accept; Alburta D. Lowe seconded and the motion carried.**
9. **Cafeteria Plan Resolution – The Board adopt and approve effective January 1, 2015 the attached Cafeteria Plan agreement. Anne D. Renfrow made a motion to accept the resolution as stated. The motion was seconded by M. Lynn Lowe and passed unanimously by the board.**

There being no further business and upon motion duly made and seconded, the meeting adjourned.



J. Steve Keck, Secretary

2014 LICOA EQUITY REVIEW

The 2014 calendar year for equities was marked by ups and downs in the market. In all the US Economy expanded albeit at a slow pace. LICOA's equity portfolio had a major benefit from the announced sale of Protective Life Corp to Japanese insurer Daichi-Life. The shares soared on the announcement and the final number was \$70 a share. This transaction was completed in the first part of February of 2015. Our portfolio held 80K shares of Protective common stock which have now been liquidated.

Our diversified portfolio of common stocks has seen modest gains and has helped us maintain equity exposure with less volatility than the S&P 500. Our managed accounts advanced **7.8%** for the calendar year 2014. Our total equity portfolio advanced **44.5%** in the same period. Total equity portfolio value as of DEC. 31, 2014 was **\$5,468,957**.

The markets were somewhat volatile during the year with a major slide in commodities fueling the uncertainty. The price decline in crude oil can be viewed as a positive for the U.S. economy in the short term but has negative effects in the labor market if the low prices continue for an extended period of time. We view this as an opportunity to buy select names in the oil patch that have strong balance sheets and retained earnings to weather the storm. Our holdings in utilities were among the best stocks of 2014 as interest rates fell. We see 2015 as an opportunity for the equity markets to produce modest gains but we are positioned defensively in mostly large domestic companies that are market leaders and management teams that are industry veterans.