



Life Insurance Company of Alabama

**CLARENCE W. DAUGETTE, III**  
PRESIDENT AND CHAIRMAN OF THE BOARD

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February 11, 2019

Jim L. Riding, Insurance Commissioner  
201 Monroe Street, Suite 502  
Montgomery, Alabama 36130-3351

RE: Financial Condition Examination of the Life Insurance Company of Alabama  
as of December 31, 2017

Dear Sir:

This is to affirm to the Alabama Department of Insurance that the Board of Directors reviewed copies of the adopted report and related orders within forty-five (45) days of the issuance of the adopted report.

The Life Insurance Company of Alabama shall comply with the recommendations set forth in the Report of the Examination as documented in the attached reply to the examination.

Sincerely,

Clarence W. Daugeette, III, President  
Life Insurance Company of Alabama  
Gadsden, Alabama

Encl. Reply to Examination as of December 31, 2017

## Reply to Examination as of December 31, 2017

### COMMENTS AND RECOMMENDATIONS

#### Claims Payment Practices - Page 16

**It is recommended** that the Company maintain proper documentation supporting claims payments in accordance with ALA. CODE§ 27-27-29(a)(1975), which states, "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

**LOA Response:**

The company will work to maintain proper documentation supporting claim payments in accordance with ALA. CODE§ 27-27-29(a)(1975)

#### Compliance with producers' licensing requirements - Page 17

**It is recommended** that the Company send termination notifications to its terminated producers in accordance with ALA. CODE§ 27-7-30.1(a) (1975), which states" Within 15 days after making the notification required by subsection (e) of Section 27-7-30, the insurer shall mail a copy of the notification to the producer at his or her last known address."

**LOA Response:**

The company will develop a procedure to comply with the requirements of ALA. CODE§ 27-27-30.1(a)(1975).

#### Accounts and Records - Page 21

It is **again recommended** that the Company annually test its IT Security Contingency Plan.

**LOA Response:**

The company continues to looking into a method whereby it can completely test the IT Security Contingency Plan in accordance with the State Examiners recommendation. We are working on a reconfigured disaster recovery system. As a part of that we have implemented a remote backup to an external site as well as an additional administrative system backup at a different external site. Once the complete contingency plan system has been implemented we will test at least annually, if not more frequently.

**It is again recommended** that the Company provide requested information within ten days in accordance with ALA. ADMIN. CODE 482-1-118-.06 (1999), which states "The insurer shall provide, within ten (10) working days, any record or response requested in writing by any duly appointed deputy, assistant, employee or examiner of the commissioner."

**LOA Response:**

The Company will continue to do everything in its power to respond within 10 working days to requests made by the department. In the event a complete response cannot be made within the 10 working days a response with available information will be provided including an expected timeframe for the remaining information requested.

**Bonds and Other invested assets - Page 27**

**It is recommended** that the Company correctly report its surplus notes investments in Schedule BA- Part 1 in accordance with the *NAIC Annual Statement Instructions* and the *NAIC Accounting Practices and Procedures Manual*- SSAP No. 26R, paragraph 3, which states "Bonds shall be defined as any securities representing a creditor relationship, whereby there is a fixed schedule for one or more future payments. This definition includes: ... f. Fixed-income instruments specifically identified: ... iii. Hybrid securities, excluding: surplus notes .... "

**LOA Response:**

The surplus notes that were incorrectly classified were corrected by the 09/30/2018 statement. The company will work on a procedure to ensure the accurate reporting of assets in the future.

**Uncollected premiums and agents' balances in the course of collection - Page 27**

**It is again recommended** that the Company adopt a formal written cancellation/lapsing policy, which will allow the Company to take appropriate and timely actions to cancel policies and manage potential liability arising from the non-cancellation of a policy.

**LOA Response:**

The company is working on a written cancelation/lapse policy in order to allow the Company to take appropriate and timely actions to cancel policies and manage potential liabilities arising from the non-cancellation of policies.

**Commissions to agents due or accrued - Page 27**

**It is again recommended** that the Company calculate the commissions on a policy-detail level, which is based on the type of insurance products and commission rate for the products so that the commission due and accrued liability is not an approximation.

**LOA Response:**

The previous administrative system did not provide a means by which this calculation can be made. It is anticipated that the new administrative system will allow this and as such the company will work to calculate the commissions due and accrued liability at the policy level.