STATE OF ALABAMA
DEPARTMENT OF INSURANCE
MONTGOMERY, ALABAMA

REPORT OF
EXAMINATION

OF

ALABAMA LIFE REINSURANCE COMPANY, INC.

TUSCALOOSA, ALABAMA

AS OF

DECEMBER 31, 2009

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EXAMINER'S AFFIDAVIT

STATE OF ALABAMA
COUNTY OF Tuscaloosa

Toni L. Bean, CFE, being duly sworn, states as follows:

1. I have authority to represent Alabama in the examination of Alabama Life Reinsurance Company, Inc.
2. The Alabama Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of Alabama Life Reinsurance Company, Inc. was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.

Toni Bean
Examiner-in-Charge

Subscribed and sworn before me by Christina L. Billings on this 22nd day of October, 2010.

(SEAL)

Christina L. Billings
(Signature of Notary Public)

BOB RILEY
Governor

JIM L. RIDLING
Commissioner

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
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Assistant Commissioner
REN WHEELER

Deputy Commissioner
CHARLES M. ANGELL (acting)

Chief of Staff
RAGAN INGRAM

Chief Examiner
RICHARD L. FORD

State Fire Marshal
EDWARD S. PAULK

General Counsel
REYN NORMAN

October 22, 2010

Honorable Jim L. Ridling, Commissioner
Alabama Department of Insurance
201 Monroe Street, Suite 1700
Montgomery, Alabama 36104

Dear Commissioner:

Pursuant to your authorization and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners, an examination has been made of the affairs and financial condition of

Alabama Life Reinsurance Company, Inc.

at its home office located at 1550 McFarland Blvd. North, Tuscaloosa, Alabama 35406, as of December 31, 2009. The Report of Examination is submitted herewith. Where the description "Company" appears herein without qualification, it will be understood to indicate Alabama Life Reinsurance Company, Inc.

SCOPE OF EXAMINATION

An organizational examination was performed on December 29, 2006, by examiners representing the State of Alabama. On April 16, 2007, the Alabama Department of Insurance issued the Company a Certificate of Authority. The current examination covers the intervening period from the date of the last examination through December 31, 2009, and was conducted by examiners representing the State of Alabama. Where deemed appropriate, transactions, activities, and similar items subsequent to 2009 were reviewed.

The examination was conducted in accordance with applicable statutory requirements of the Alabama Insurance Code, the Alabama Insurance Department regulations, bulletins and directives and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook. The examination was planned and performed to evaluate the financial condition of the Company as of December 31, 2009, and to identify the Company's prospective risks by obtaining information about the Company including corporate governance. In addition, the examination was planned and performed to identify and assess the inherent risks within the Company and to evaluate system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with statutory accounting principles and Annual Statement instructions.

An examination of the Company's information systems (IS) was conducted concurrently with the financial examination. The IS examination included a review of management and organizational controls, logical and physical security controls, changes in applications controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

The market conduct examination was performed concurrently with the financial examination. The examination included a review of the Company's territory and plan of operation. See "**MARKET CONDUCT ACTIVITIES**" on page 15 for further discussion of the market conduct examination.

The Company's Annual Statements for each year under examination (2007 through 2009) were compared with or reconciled to the corresponding general ledger account balances.

PricewaterhouseCoopers, LLP was the Company's certified public accountants (CPAs) for the three years under examination. The examiners reviewed and utilized the CPAs' workpapers for the years under examination.

A signed certificate of representation was obtained during the course of the examination. In this certificate, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2009.

ORGANIZATION AND HISTORY

The Company, incorporated on December 22, 2006, was issued a Certificate of Authority under the laws of the State of Alabama on April 16, 2007. On July 20, 2007, the Commissioner of Insurance approved a bulk reinsurance transaction whereby the Company assumed all of the liabilities associated with the business administered by Alabama Reassurance Company (Ala Re), the Company's predecessor. Ala Re surrendered its Certificate of Authority to the Alabama Department of Insurance and was merged into the Greene Group.

The Articles of Incorporation were filed for record in the office of Probate Judge W. Hardy McCollum, of Tuscaloosa County, Alabama. Paragraph two of the Articles of Incorporation lists the purpose or purposes for which the organization was incorporated. The primary purposes of incorporation was:

> "(i) conducting, engaging in and carrying on the business of a life insurance company and the business of a reinsurance company;
> (ii) conducting, engaging in and carrying on any business related to the life insurance business and reinsurance business and generally carried on by life insurance and reinsurance companies; and
> (iii) engaging in, maintaining and transacting a general legal reserve life insurance business, and in connection therewith issuing all types of life insurance and endowment policies of insurance and collecting the premiums thereon, whereby persons, firms and corporation are indemnified against the loss of human life..."

Paragraph three of the Articles of Incorporation authorized 5,000,000 shares of common stock with a par value of $1 per share. A resolution adopted by the Company's Board of Directors, via an action taken by written consent in lieu of meeting, indicated that the Company would commence business with capitalization of $4,000,000. The paid-in capital consisted of 2,000,000 shares of common capital stock with a par value of $1 per share, for $2,000,000 and paid-in surplus of $2,000,000.

In 2007 and 2009, the parent Company, Greene Group made capital contributions in the amounts of $500,000 and $1,000,000, respectively. At December 31, 2009, the Company had $2,000,000 in common capital stock and $3,500,000 in gross paid-in and contributed surplus.

MANAGEMENT AND CONTROL

Stockholders

At December 31, 2009, Greene Group, Inc. owned 100% of the Company's common capital stock.

Article II, Section 1 of the Company's Bylaws states, "The annual meeting of the shareholders of the Corporation shall be held at such time and on such day as shall be fixed from time to time by the Board of Directors, but at least annually for the purpose of electing directors and for the transaction of such other business as may come before the meeting." The Company's shareholders met annually for the period under examination.

Board of Directors

The Company's Bylaws provide that the business and affairs of the Company be managed by the Board of Directors. During the last examination, it was recommended that Article III, Section 3 of the Bylaws be amended in accordance with ALA. CODE § 27-27-23 (a) (1975) which states, "The affairs of every domestic insurer shall be managed by not less than three directors, and at least one-third of the directors shall be bona fide residents of this state." Article III, Section 3 of the Bylaws was amended on February 23, 2010 to read, "Thereafter, the number of directors constituting the board of directors shall be between three (3) and six (6), the exact number within such range to be determined by resolution of the board of directors." The members serving on the Board of Directors at December 31, 2009 were as follows:

Director/Residence	*Occupation*
Paul William Bryant, Jr. Tuscaloosa, Alabama	Chairman
Scott Moore Phelps Tuscaloosa, Alabama	President
William Rodney Windham Tuscaloosa, Alabama	Actuary
Allen Wayne May Tuscaloosa, Alabama	Veterinarian

Committees

The Board had no committees during the examination period.

Officers

Article IV, Section 1 of the Bylaws state:

> "The officers of the Corporation shall be elected by the board of directors and shall consist of a president, a secretary, and such other officers and assistant officers as may be deemed necessary by the board of directors. Any two or more offices may be held by the same person..."

At December 31, 2009, the following officers were serving:

Name	*Title*
Scott Moore Phelps	President
Sam Moore Phelps	Secretary/Treasurer
Allen Wayne May	Vice President

Conflict Of Interest

During the organizational examination it was recommended that the Company establish a conflict of interest policy and procedure for the effective disclosure of conflict of its officers, directors, trustees, or responsible employees with the official duties of such person. At year-end 2009, the Company did not have a written conflict of interest policy. This was not in compliance with the previous recommendation. In addition, the responses to Interrogatories 13.2 and 16 of the General Interrogatories in the 2007, 2008, and 2009 Annual Statements indicated that all senior officers were subject to a code of ethics, and the reporting entity had an established procedure for disclosure to its board of directors or trustees of any material interest that would conflict or was likely to conflict with the official duties of such person.

The officers signed conflict of interest statements for the years under examination and Company management has indicated that it will draft a conflict of interest policy.

CORPORATE RECORDS

The Company's Articles of Incorporation, as filed with the Tuscaloosa County Judge of Probate, and the Bylaws, as amended, were inspected during the course of this examination. On February 23, 2010, the Bylaws were amended to include the following provision, "Thereafter, the number of directors constituting the board of directors shall be between three (3) and six (6), the exact number within such range to be determined by resolution of the board of directors."

Minutes of the meetings of the shareholders and the Board of Directors were reviewed for the period under examination. The minutes did not reflect the approval of the investment transactions made during the examination period. ALA. CODE § 27-41-5 (1975) states:

> "An insurer shall not make any investments or loans, other than loans on policies or annuity contracts, unless the same be authorized, approved or ratified by the board of directors of the insurer or by such committee or person as the board of directors shall expressly authorize. The action of the board of directors, the committee, or other persons so authorized shall be recorded and regular reports thereof shall be submitted to the board of directors. ..."

In general, the Company's corporate records appeared to be complete with regard to actions taken on matters before the respective body for deliberation and action, except as noted otherwise in this report.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company

The Company is subject to the Alabama Insurance Holding Company Regulatory Act as defined in ALA.CODE § 27-29-1 (1975), as amended. Appropriate filings required under the Holding Company Act were made from time to time by the Company. A review of the filings during the period under review indicated that appropriate disclosures were included regarding the Company, except as noted otherwise in the Report of Examination.

Dividends to Stockholders

There were no dividends paid to the stockholders during the examination period.

Management and Service Agreements

On August 27, 2008, the Company submitted a joint office expense allocation agreement within its Form D filing for approval by the Alabama Department of Insurance (ALDOI) as required by ALA. CODE § 27-29-5 (b) (1975) which states:

> "The following transactions involving a domestic insurer and any person in its holding company system may not be entered into unless the insurer has notified the commissioner in writing of its intention to enter into such transaction at least 30 days prior thereto, or such shorter period as the commissioner may permit...all management agreements, service contracts, and all cost-sharing arrangements. …"

The agreement was approved by the Board of Directors on October 31, 2008, and subsequently approved by the Alabama Department of Insurance on June 10, 2009.

The Company was operating under the terms of the joint office expense allocation agreement at year-end 2007, two years prior to the approval date. In 2007, the Company reported a receivable to parent, subsidiaries and affiliates related to this agreement. The amount should have been non-admitted because the agreement had not been approved by the ALDOI. The amount remains unchanged because the agreement was approved as of the examination date. A similar situation was noted in the last report of examination for Alabama Reassurance Company (the Company's predecessor), whereby it was recommended that the Company file agreements with affiliated companies with the Alabama Department of Insurance in accordance with ALA. CODE § 27-29-5 (b) (1975).

Per the agreement, the Company was to reimburse the Greene Group for the following expenses:

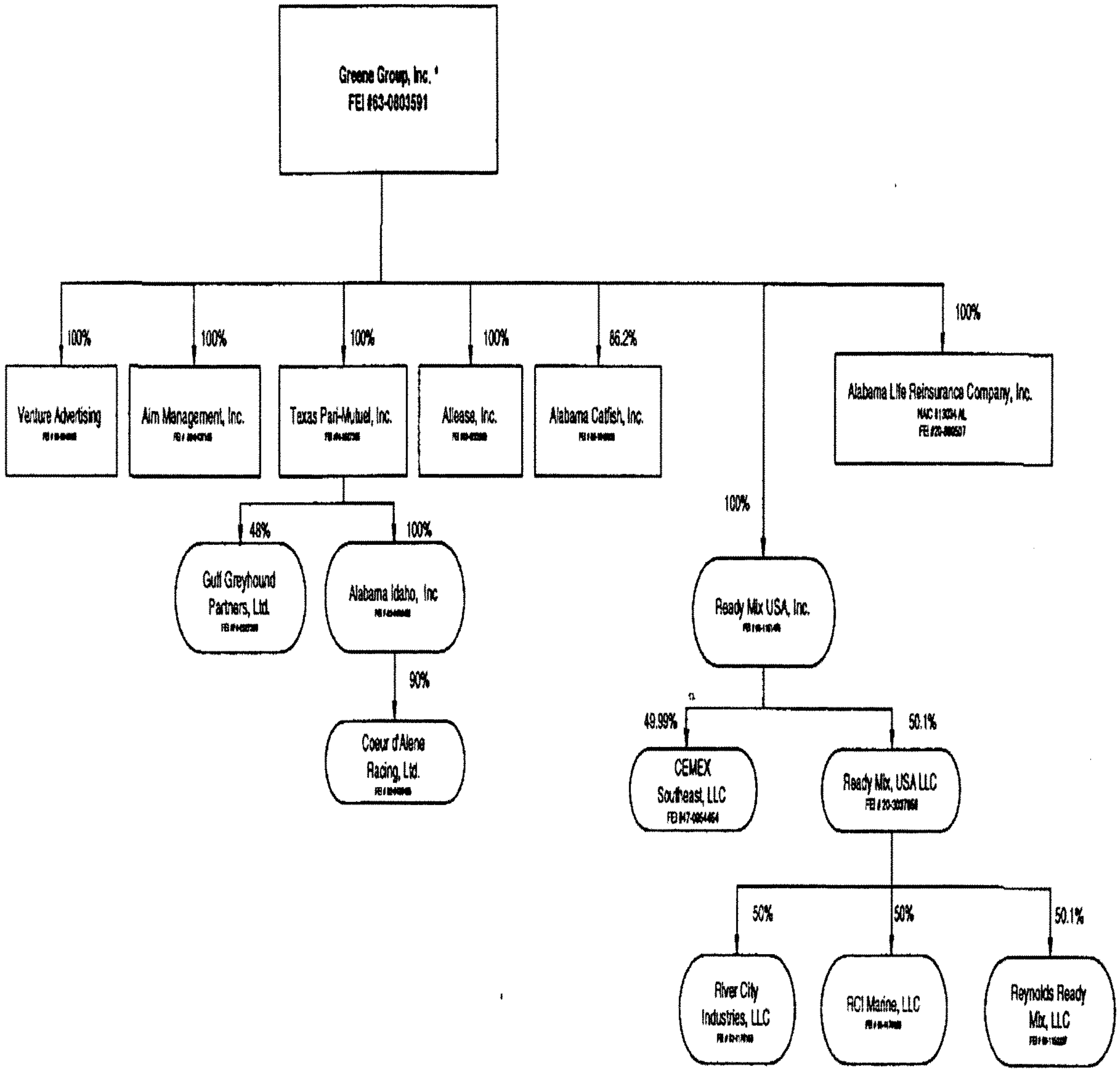
- Rent - which includes janitorial services, utilities, insurance, telephone and computer equipment
- Direct Salaries and Payroll taxes
- Direct Travel and Related Expenses
- Repairs and Maintenance
- Computer Network

Greene Group, Inc. owns the records of transactions and grants the Company and all its regulators access. Expenses are billed on a monthly basis with reimbursements being made within thirty days of the billing date. The agreement can be terminated by either party provided a sixty day written notice is delivered to the other party. During the three-year examination period, the Company reimbursed the Greene Group for professional dues; postage and express mail charges; accounting and actuarial services; dues and subscription fees; office expenses and other general expenses which were not allowable under the agreement. There was approximately $75,000 paid in error. Additionally, the amount reimbursed to the Greene Group for rent expenses during the three-year examination period, was $2,900 not $3,500 as specified in the agreement. A similar situation was noted in the last report of examination for Alabama Reassurance Company (the Company's predecessor), whereby it was recommended that the Company pay for only those expenses that it was contracted to pay for under the *Joint Office Expense Allocation Agreement,* or revise the agreement to include those other expenses not included in the agreement for which the Company has been charged, and file such agreement with the Alabama Department of Insurance in accordance with ALA. ADMIN. CODE 482-1-055-.18 (1994) which states: "An insurer required to give notice of a proposed transaction pursuant to Section 27-29-5 shall furnish the required information on Form D, hereby made a part of this chapter."

Organizational Chart

The following details the identities of and interrelationships among all affiliated persons within the Holding Company System at December 31, 2009:

ORGANIZATIONAL CHART



72.0% Paul William Bryant, Jr.
25.0% Sam Moore Phelps

DIVIDENDS TO POLICYHOLDERS

There were no dividends paid to policyholders during the examination period.

FIDELITY BOND AND OTHER INSURANCE

The Company was a named insured on a financial institution bond issued by Fidelity and Deposit Company of Maryland, which met the suggested minimum requirements of the NAIC Financial Condition Examiners Handbook. In addition to the aforementioned fidelity bond, the Company also maintained the following coverages to protect against hazards to which it may be exposed:

- General Liability
- Property Portfolio Protection
- Business Automobile

The coverages and limits carried by the Company were reviewed during the course of the examination and appeared to adequately protect the Company's interest at the examination date.

EMPLOYEE WELFARE

The Company had no employees and no employee benefit plans were in effect during the examination period. All administrative and employee services were provided by employees of the Greene Group (parent company). Via the joint office expense allocation agreement discussed on page 10 under the heading "**Management and Services Agreements**," the Company reimburses Greene Group a specified percentage of the employees' compensation for services provided. Persons employed by Greene Group were offered the following benefits:

401(K) Plan
Paid Time Off
Sick Leave
Company Holidays
Long-Term Disability Insurance Coverage

SCHEDULE OF SPECIAL DEPOSITS

The Company maintained the following deposit with the State of Alabama at December 31, 2009, as required or permitted by law:

State and Territory	Book Value	Fair Value
Alabama	$111,533	$112,957
TOTAL	**$111,533**	**$112,957**

FINANCIAL CONDITION/GROWTH OF COMPANY

The following schedule presents financial data, which reflects the growth of the Company for the years indicated:

Year	Admitted Assets	Liabilities	Capital & Surplus	Premiums Earned
2009*	$ 46,109,441	$ 41,379,411	$ 4,730,030	$ 1,421,855
2008	47,823,017	43,774,066	4,048,951	994,425
2007	48,518,046	44,480,858	4,037,188	42,097,306
2006*	4,000,000	0	2,000,000	0

***Per Examination**

SCHEDULE T – PREMIUMS AND OTHER CONSIDERATIONS

State	Life Insurance Premiums	Total
Alabama	$ 1,421,855	$ 1,421,855
TOTAL	**$ 1,421,855**	**$ 1,421,855**

LOSS EXPERIENCE

In 2009, the Company did not prepare the following correctly:

- Analysis of Increase in Reserves During The Year
- Analysis of Operations By Lines of Business
- Exhibit of Life Insurance

The Analysis of Increase In Reserves During The Year did not properly reflect the tabular cost and reserves released by death from which most of the information related to loss experience for life insurance companies is obtained. The annuity figures were totaled together with the life insurance figures, in the Analysis of Operations By Lines of Business, and the Exhibit of Life Insurance did not reflect the death claims or surrenders. Therefore the loss experience determined was distorted since the correct figures were not available.

MARKET CONDUCT ACTIVITIES

Plan of Operation

The Company was incorporated as an Alabama domestic stock insurance company on December 22, 2006, and commenced business in July 2007. The Company is a wholly-owned subsidiary of the Greene Group, Inc. (Greene Group). Via assumption agreements the Company assumed the liabilities associated with the business administered by its predecessor, Alabama Reassurance Company, Inc. (Ala Re). Ala Re was a wholly-owned subsidiary of the Greene Group; however, due to a holding company restructuring plan, Ala Re was merged into the Greene Group and this Company was created. This Company's operations are identical to that of Ala Re.

Ala Re transferred $43,000,000 in assets to the Company for the liabilities associated with the reinsurance operations. The Company does not write or have any direct business; it does not have any agents or brokers; and the business it does assume, is in run-off. Once the run-off is completed, the Company intends to exit the life insurance business.

Territory

At December 31, 2009, the Company was licensed to transact business in the state of Alabama only. The Certificate of Authority and other documentation was reviewed and found to be in order at December 31, 2009.

COMPLIANCE WITH ALA. ADMIN. CODE 482-1-146 (2009)

ALA. ADMIN. CODE 482-1-146 (2009) states: "A Section 1033 insurer subject to the Commissioner's examination authority shall have and apply the following:

(a) An internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a Section 1033 offense.

(b) An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense."

The Company did not comply with these requirements as it did not have internal procedures in place for determining if applicants for employment had been convicted of a Section 1033 offense and there were no internal procedures in place to periodically ascertain if existing employees had been convicted of a Section 1033 offense since the date of hire.

A similar situation was noted in the last report of examination for Alabama Reassurance Company (Company's predecessor), whereby it was recommended that the Company require all current employees to sign an affidavit concerning the Violent Crime Control and Law Enforcement Act of 1994 on an annual basis in order to ensure compliance with ALA. ADMIN. Code 482-1-121 (2003) which was replaced by ALA. ADMIN. CODE 482-1-146 (2009).

REINSURANCE

The Company did not cede any business at December 31, 2009, but it assumed business via two reinsurance agreements with: Security Life Insurance Company of America (SLICA) and North America Life Insurance Company (NALIC). These contracts were examined with regard to type, appropriate contract provisions and pertinent safeguards.

Reinsurance Assumed

Security Life Insurance Company of America (SLICA)

On July 20, 2007, the Alabama Department of Insurance (ALDOI) approved a bulk assumption agreement whereby this Company assumed all of the obligations, rights, and liabilities associated with the business reinsured under an agreement between Alabama Reassurance Company, (the Company's predecessor), and SLICA.

This is a quota share coinsurance agreement whereby SLICA cedes 90% of the blocks of business reinsured, and the Company receives 90% of the gross net premiums less the ceding allowance which includes premium taxes, maintenance expenses, and commissions and termination expenses. The business assumed includes: whole life products, Michigan CPI business, extended term insurance, reduced paid-up; and pre-need business.

The following provisions were present in the agreement: (1) premiums will be paid on a monthly basis; (2)both parties shall keep full and accurate books and records; and (3) the agreement can be terminated with respect to new business by either party provided a ninety day written notice is provided.

At December 31, 2009, the reserves were $22,230,995 and the premiums were $1,450,213.

North America Life Insurance Company of America (NALIC)

On July 20, 2007, the Alabama Department of Insurance (ALDOI) approved a bulk assumption agreement whereby this Company assumed all of the obligations, rights, and liabilities associated with the business reinsured under an agreement between Alabama Reassurance Company, (the Company's predecessor), and NALIC.

This agreement is a combination of coinsurance and modified coinsurance whereby NALIC cedes and the Company accepts 95% of the retained amounts for all policies issued on or reinsured by NALIC on or after July 1, 1999 and before December 31, 2000. The majority of the policies reinsured are either assumed or acquired from other companies, and includes annuities, traditional life, universal life and pre-need business. A large portion of the business is limited pay, or single pay thus much of the business is paid-up.

The following provisions were present in the agreement: (1) premiums will be paid on a monthly basis; (2) either party may inspect the original papers and any and all other books or documents at the home office of the other party; and (3) if NALIC fails to pay the reinsurer its premium due, the agreement will be automatically terminated.

At December 31, 2009, the reserves were $17,664,565 and the premiums reported were ($28,358).

ACCOUNTS AND RECORDS

The Company's internal controls and information systems infrastructure was evaluated by interviewing Company personnel and reviewing the Company's responses to Exhibit B – Examination Planning Questionnaire and Exhibit C – Evaluation of Controls in Information Technology (IT) found in the NAIC Financial Condition Examiners Handbook.

As noted in this Report of Examination, there were numerous and significant errors contained within the Company's filed Annual Statements.

Internal Controls

At December 31, 2009, the Company did not have any employees. All administrative services for the Company were performed by the Greene Group (parent company) in accordance with the "Joint Office Expense Allocation" agreement previously discussed in the HOLDING COMPANY AND AFFILIATE MATTERS section of this report under the caption **Management and Service Agreements.** Primarily, there were three Greene Group employees responsible for the Company's daily operations. The Company did not have an internal audit division; there were no formalized, written policies or procedures; and due to the small number of employees charged with day-to-day operations, there was little to no segregation of duties. Additionally, the Company did not have any written procedures or directives for safeguarding confidential information. Company management indicated that it did not have any consumers; and if necessary, critical and confidential information could be safely secured in the Company's vault. The Company did not have strong internal controls, as such; controls were not relied upon for any phase of the examination.

There was one individual responsible for providing the requested information needed for this examination. If this person was unavailable or unable to obtain the necessary information, then there was a delay in the receipt of the requested information. As a result, requested information was not consistently provided within ten working days, as required by 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. …"

Information Systems

The Company's general accounting and financial reporting records were maintained by computer. The overall information technology (IT) environment consisted of a basic client-server setup based on a commercial five disk server connected to workstations by Ethernet cables. Both the server and workstations used Microsoft Windows operating systems. Commercially available business software was used for accounting and financial reporting. System level access was controlled using Active Directory. There was no IT staff, as Wycomp, a network sales and service company, provided server, network, logical security and workstation support. The Company has an informal and undocumented approach to its IT infrastructure. This informal process includes such business practices as locating high pressure water mains directly above the server rack; electronically storing unencrypted employee passwords; and maintaining a disorganized computer room. All of these risks increase the threat of unauthorized information access and release. The Company does not have a well developed IT risk management process or formalized guidance regarding the proper communication of internal, external or emerging IT risk to the appropriate person.

The Company makes less than thirty general journal entries to record its activities during any calendar year, and it does not write or have any direct business. Company management believes that for the level of risk to which it is exposed, both actual and inherent, that the IT infrastructure is sufficient.

Notes To Financial Statements and General Interrogatories:

The review of the *Notes to Financial Statements* and *General Interrogatories* in the Company's Annual Statements indicated that the Company did not complete the following items accurately and/or in accordance with the NAIC's Annual Statement Instructions:

Notes To Financial Statements:

- #10 (F) – In 2008, the Company indicated that it had two management and service contracts with its affiliates:
    - Consolidated Tax Allocation Agreement
    - Joint Office Expense Allocation Agreement

  The Company did not have a Consolidated Tax Allocation Agreement.
- # 10 - In 2008 and 2009, Note 10 contained the following statement: "The method of consolidation between the companies is subject to written agreement, approved by the Board of Directors. Allocation is based upon

separate return calculations with current credit for net Losses. Intercompany tax balances are settled annually in the first quarter." Company management indicated this information was included in error as the Company did not have a consolidated tax allocation agreement in place.

General Interrogatories:

- #13.1 – In 2007, 2008, and 2009 the Company answered "yes" to the question: "Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or person performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? The Company did not have a formalized code of ethics policy.
- #14 – In 2007, 2008 and 2009 the Company answered "yes" to the question: "Is the purchase or sale of investments of the reporting entity passed upon the board of directors or a subordinate committee thereof?" However, the board of directors did not ratify or approve the Company's investment transactions.
- #16 – In 2007, 2008, and 2009 the Company answered "yes" to the question: "Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?" The Company did not have a formalized conflict of interest policy.

Compliance with Annual Statement Instructions:

In 2007, 2008 and 2009, the Company did not complete its Annual Statement in Accordance with the NAIC Annual Statement Instructions. Specifically, the Company did not properly complete the following:

***Analysis of Operations By Lines of Business*:**

- The Company did not report its annuity benefits, surrender benefits and withdrawals for life contracts, or its dividends to policyholders on this analysis.

Analysis of Increase In Reserves During The Year:

- The Company only reported the prior year reserves and the other increases/decreases on this analysis. Other required information such as tabular net premiums or considerations; tabular interest; and annuity, supplementary contract, and disability payments were omitted.

***Exhibit 1 – Part 1 – Premiums and Annuity Consideration for Life and A&H Contracts*:**

- The Company did not report its deferred premium and annuity considerations in this Exhibit.

Exhibit 1 – Part 2 – Dividends and Coupons Applied, Reinsurance Commissions and Expense Allowance and Commissions Incurred:

- The Company did not report its assumed dividends to policyholders in this exhibit.

***Exhibit 4 – Dividends or Refunds*:**

- The NAIC Annual Statement Instructions states: "This analysis is presented net of reinsurance, i.e., reinsurance assumed should be included and reinsurance ceded should be deducted." Further, "Line 17 should agree with Summary of Operations (and also Analysis of Operations by Lines of Business)" The Company did not report the dividends assumed via the reinsurance treaties in place.

Exhibit 8 – Claims for Life and A&H Contracts; Part 1 and Part 2:
Part 1:

- In column four, the Company did not report a liability end of current year for annuities.

Part 2:

- In column four, the Company did not report its liability incurred during the year for annuities.

FINANCIAL STATEMENTS INDEX

The Financial Statements included in this report were prepared in conformity with those accounting practices prescribed or permitted by the Commissioner of Insurance for the State of Alabama utilizing Company records and is intended to depict the statutory financial condition of the Company as of December 31, 2009. The information reported therein has been verified by the examiner to the extent deemed necessary. Amounts shown in the comparative statements for the years 2007 and 2008 were compiled from the Company's copies of filed Annual Statements. The statements are presented in the following order:

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.

Alabama Life Reinsurance Company, Inc.
Statement of Assets, Liabilities, Capital and Surplus
For the Year Ended December 31, 2009

	Assets	Non-admitted assets	Net Admitted Assets
Bonds (Note 1)	$ 10,569,676	$	$ 10,569,676
Common stocks (Note 2)	1,720,099	-	1,720,099
Cash, cash equivalents and short-term investments (Note 3)	32,428,417	-	32,428,417
Subtotals, cash and invested assets	$ 44,718,192		$ 44,718,192
Investment income due and accrued	161,803	-	161,803
Premiums considerations:			
Deferred premiums, agents' balances and installments booked but deferred and not yet due (Note 4)	336,461	-	336,461
Net deferred tax asset	2,044,755	1,151,770	892,985
TOTAL	**$ 47,261,211**	**$ 1,151,170**	**$ 46,109,441**
LIABILITIES			
Aggregate reserves for contract claims (Note 5)			$ 39,895,560
Contract claims: Life (Note 6)			815,741
Interest Maintenance Reserve			72,438
Payable to parent, subsidiaries and affiliates			199,642
Aggregate write-ins for liabilities (Note 7)			396,030
TOTAL LIABILITIES			**$ 41,379,411**
CAPITAL AND SURPLUS			
Common capital stock			$ 2,000,000
Gross paid in and contributed surplus			3,500,000
Surplus notes			3,400,000
Unassigned funds (surplus) (Note 9)			(4,169,970)
TOTAL LIABILITIES, CAPITAL AND SURPLUS			**$ 46,109,441**

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.

Alabama Life Reinsurance Company, Inc.
Summary of Operations
For the Years Ended December 31, 2009, 2008 and 2007

Premiums and annuity considerations for life and a&h contracts (Note 6)(Note 8)	$	1,421,855	$	994,425	$	42,097,306
Net investment income		473,945		1,224,508		540,262
Amortization of Interest Maintenance Reserve		57,994		115,724		-
Aggregate write-ins for miscellaneous income (Note 6)		2,353,665		4,698,663		1,555,163
Totals	**$**	**4,307,459**	**$**	**7,033,320**	**$**	**44,192,731**
Death benefits (Note 4)	$	4,323,107	$	6,521,505	$	1,429,661
Annuity benefits		-		-		-
Surrender benefits and withdrawals for life contracts (Note 6)(Note 8)						
Increase in aggregate reserves for life and a&h contracts		(971,937)		(1,000,149)		41,867,646
Totals	**$**	**3,351,170**	**$**	**5,521,356**	**$**	**43,297,307**
Commission and expense allowances on reinsurance assumed (Note 4)(Note 6)	$	613,784	$	774,292	$	230,503
General insurance expenses		298,630		398,351		141,948
Insurance taxes, licenses and fees excluding federal income taxes		11,301		18,057		3,831
Aggregate write-ins for deductions		0		67,702		0
Totals	**$**	**923,715**	**$**	**1,258,402**	**$**	**376,282**
Net gain from operations before dividends to policyholders and federal income taxes	$	32,574	$	253,562	$	519,142
Dividends to policyholders (Note 8)		0		0		0
Net gain from operations after dividends to policyholders and before federal income taxes	$	32,574	$	253,562	$	519,142
Federal and foreign income taxes incurred		0		29,684		179,596
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	$	32,574	$	223,878	$	339,546
Net realized capital gains or (losses)		(159,024)		(566,532)		0
Net income	$	(2,094,276)	$	(342,654)	$	339,546

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Bonds $10,596,676

The captioned amount is the same as the amount reported by the Company in its 2009 Annual Statement.

The NAIC Purposes and Procedures Manual of the NAIC Securities Valuation Office states, "SVO administrative symbols convey information about the security or an administrative procedure instead of an opinion of credit quality or Unit Price." Further, the symbol FE "means exempt from filing with the SVO and is used by an insurance company to report an NAIC Designation for an exempt security on the NAIC Financial Statement Blank. When reporting a security on its annual or quarterly financial statements, the administrative symbol **FE** is used with an **NAIC 1** through **6** Designation. ..." According to Schedule D - Part 1 of the 2009 Annual Statement, the Company had three bonds meeting the requirements of a filing exempt (FE) security. However, the FE designation was not used in conjunction with the NAIC 1 through 6 designations assigned to the security.

In 2009, the Company acquired two long-term bonds. The date of acquisition listed in the Annual Statement for the bonds was the settlement date and not the trade date. This was not in accordance the NAIC Annual Statement Instructions, which states: "A bond acquisition is recorded on the trade date, not the settlement date, except for the acquisition of private placement bonds that are recorded on the funding date."

The noted exceptions had no impact on the financial statements contained in this report.

Note 2 – Common stocks $1,720,099

The captioned amount is the same as the amount reported by the Company in its 2009 Annual Statement.

The securities bought and sold during the examination period listed on Schedule D, were reviewed. In 2008, the Company purchased shares of Colonial Bank common stock on multiple days. The NAIC Annual Statement Instructions states: "Each issue of stocks acquired at public offerings on more than one date may be totaled on one line and the date of last acquisition inserted." The date of the last acquisition for the Colonial Bank stock was July 14, 2008 not June 12, 2008 as reported on Schedule D - Part 2 Section 2 of the 2008 and 2009 Annual Statements.

A similar situation was noted in the last report of examination for Alabama Reassurance Company (Company's predecessor), whereby it was recommended that for multiple purchases, the total of the items and the date of last trade be inserted in the Annual Statement, in accordance with the NAIC Annual Statement Instructions.

The noted exception had no impact on the financial statements contained in this report.

Note 3 – Cash, cash equivalents, and short-term investments **$32,428,417**

The captioned amount is the same as the amount reported by the Company in its 2009 Annual Statement.

The last report of examination for Alabama Reassurance Company (the Company's predecessor) recommended that the Company obtain an approved custody agreement for cash being held in E*Trade Financial, in accordance with ALA. ADMIN. CODE 482-1-077-.04 (2003) which states:

> "An insurance company may, by written agreement with a custodian, provide for the custody of its securities with a custodian…The agreement shall be in writing and shall be authorized by resolution of the board of directors of the insurance company or of an authorized committee of the board…The custody agreement is of no force and effect until the Commissioner approves, in writing, the custody agreement. …"

It was also recommended that the Company comply with ALA. CODE § 27-37-1 (1975), which states: "In any determination of the financial condition of an insurer, there shall be allowed as assets only such assets as are owned by the insurer and which consist of: (1) Cash in the possession of the insurer or in transit under its control, and including the true balance of any deposit in a solvent bank or trust company…"

At December 31, 2009, the Company had an account with E*Trade Financial with a balance of $1,775. This account was not reported on Schedule E- Part 1 – Cash in accordance with the NAIC Annual Statement Instructions which states: "This schedule shows all banks, trust companies, savings and loan and building and loan associations in which the company maintained deposits at any time during the year and the balances, if any, on December 31, of the current year." It was also determined that the Company did not comply with ALA. CODE § 27-37-1 (1975).

This account was registered in the name of Alabama Reassurance Company (the Company's predecessor), which was merged into the Greene Group Inc. (parent company) in 2007. This account should have been registered in the name of the Company.

The amount reported in this report of examination remains unchanged because the Company closed the account as of February 28, 2010.

Also, the Company did not properly account for interest earned and received on a certificate of deposit as of year-end 2009. This resulted in cash being understated by $126,692. The amount reported in the 2009 Annual Statement was not changed because the error was corrected in the first quarter of 2010.

Note 4 – Deferred premiums agents' balances and installments booked but not deferred and not yet due	**$336,461**
Commissions and expense allowances on reinsurance assumed	**$613,784**
Death benefits	**$ 4,323,107**

The captioned amounts are the same as reported by the Company in its 2009 Annual Statement.

The Company recorded commissions and expense allowances payable in the amount of $6,727 in the deferred premiums total reported at year-end 2009. Also, the Company recorded death benefits paid in the amount of $64,101 in the commissions and expense allowances on reinsurance assumed reported at year-end 2009. No changes were reflected in the financial statements contained in this report because there was no impact to income or surplus and the Company corrected the amounts beginning with its first quarterly statement for 2010.

Additionally, the Company incorrectly completed the Notes to Financial Statements, Item 30, Life and Annuity Reserves for Life Contracts and Deposit-Type Contracts, in which they state in paragraph (1) that the Company has no direct business, so there are no deferred fractional premiums. This is incorrect, in that the ceding company uses the mean reserve basis, which requires that deferred premiums be recorded. In addition, the Company did not record any deferred premiums in Exhibit 1 as required. The asset page of the Company does correctly record deferred premiums of $336,461, and does state in Note 32 that Deferred and Uncollected Premiums in the amount of $336,461 result from a coinsurance contract, so that there is an inconsistency between the Notes to Financial Statements, Exhibit 1 and the Asset Page.

Note 5 – Aggregate reserves for life contracts $39,895,560

The captioned amount is the same as the amount reported by the Company in its 2009 Annual Statement.

In 2007, 2008, and 2009 the Statement of Actuarial Opinion indicated that the reserves and related actuarial items had been subjected to asset adequacy analysis. However, it was determined that an asset adequacy analysis was not being performed. This was not in accordance with ALA. ADMIN. CODE 482-1-112-.05 (2003) which states:

> "(4) Standards for Asset Adequacy Analysis. The asset adequacy analysis required by this chapter: (a) Shall confirm to the Standards of Practice as promulgated from time to time by the Actuarial Standards Board and on any additional standards under this chapter, which standards are to form the basis of the statement of actuarial opinion in accordance with Rule 482-1-112-.08. (b) Shall be based on methods of analysis as are deemed appropriate for such purposes by the Actuarial Standards Board. (5) Liabilities to be covered."

The opining actuary was informed that an asset adequacy analysis was required of all life insurance companies and that asset adequacy analysis was to be included in the actuarial opinion.

On October 4, 2010, the Company provided the results of the asset adequacy analysis performed as of December 31, 2009. The asset adequacy analysis indicated that there was positive surplus for all years of projection for each of the required seven scenarios. However, the asset adequacy analysis was based, in part, on the Company moving one-half of the cash and other short term investments to interest and/or dividend yielding investments by September 30, 2010 and moving the other one-half of the cash and other short term investments to interest and/or dividend yielding investments by June 30, 2011. The actuarial examiner noted that this had not been accomplished as of September 30, 2010. This could have an impact on the results of the asset adequacy analysis and the Company may not have positive surplus for all years of projection under all of the required seven scenarios. The Company should always base asset adequacy analysis on the Company's actual assets as of the end of the reporting calendar year and should provide an asset adequacy analysis actuarial opinion to the Department each year.

Note 6 – Contract claims	**$815,741**
Commissions and expense allowances on reinsurance assumed	**$613,784**
Premiums and annuity considerations for life and a&h contracts	**$1,421,855**
Aggregate write-ins for miscellaneous income	**$2,353,665**
Surrender benefits and withdrawals for life contracts	**$0**

The captioned amounts are the same as the amounts reported by the Company in its 2009 Annual Statement.

The Company did not record any of the first quarter 2009 amounts reported by North America Life Insurance Company for the line items referenced. The Company indicated that there was a delay in receiving this information from the cedant. The net effect of not recording these transactions was $88,323 due the Company. A detailed listing of the first quarter amounts has been included below:

Premiums		($321,165)
Commissions and expense allowances on reinsurance assumed		$113,300
Reserve adjustment on reinsurance assumed		($1,080,583)
Death Benefits		$618,437
Surrenders		$680,204
Cash Due Company	$88,323	
Experience Refunds	______	($98,516)
TOTAL	$88,323	($88,323)

A correction was made and reflected in the first quarterly statement of 2010. The net change to surplus was not material; therefore, no changes were reflected in the financial statements contained in this report.

Additionally, the Company failed to record $9,995 of surrenders benefits and withdrawals for life contracts reported by Security Life Insurance Company of America at year-end 2009. A correction was made and reflected in the first quarterly statement of 2010.

Note 7 – Aggregate write-ins for liabilities **$396,030**

The captioned amount is the same as the amount reported by the Company in its 2009 Annual Statement.

The aggregate write-ins for liabilities consisted of: amounts payable to insurers and interest payable on surplus notes. In 2008 and 2009, the amounts payable to insurers was understated by $6,685 and $11,269 respectively. This was not in accordance with ALA. CODE § 27-3-26 (1975) which states, "…Each authorized insurer shall...file with the commissioner a full and true statement of its financial condition, transactions and affairs as of the December 31, preceding. …" The amount reported in the 2009 Annual Statement remains unchanged because the errors were corrected in the first quarter of 2010.

The Company paid interest on its surplus notes for year-end 2008 and 2009, but prior approval had not been obtained from the commissioner. ALA. ADMIN. CODE 482-1-094-.06 (1993) states: "All payments of principal and interest shall be subject to the prior approval of the Commissioner." On May 17, 2010, Company management submitted a letter to the Commissioner of Insurance requesting approval of the surplus note interest payments.

Note 8 – Premiums and annuity considerations for life and a&h Contracts	**$1,421,855**
Surrender benefits and withdrawals for life contract	**$0**
Dividends to policyholders	**$0**

The captioned amounts are the same as the amounts reported by the Company in its 2009 Annual Statement.

The Company assumes business via two reinsurance treaties with: Security Life Insurance Company of America (Security Life) and North America Life Insurance Company (North America). According to the detailed reports provided by the ceding companies, the amounts at December 31, 2009 for the line items above were as follows:

	Security Life Insurance Co.	North America Life Ins. Co.
Premiums	$ 1,546,158	$ 864,067
Surrender Benefits and Withdrawals For Life Contracts	$ 105,941	$ 1,694,140
Dividends to Policyholders	$ 0	$ 97,521

The Company netted dividends to policyholders and surrender benefits and withdrawals for life contracts in premium income. This was not in accordance with the NAIC Annual Statement Instructions which states, "Report premium and annuity considerations for life and accident and health contracts including experience rating refunds, assumed reinsurance and net of reinsurance ceded." Additionally, the Company's external auditors, PricewaterhouseCooper, LLP, indicated that the Company was netting these figures as well and it re-classed the dividends to policyholders and surrender benefits for years-ended 2007, 2008 and 2009. No changes were reflected in the financial statements contained in this report because there was no impact to income or surplus and the Company reclassified the amounts beginning with its first quarterly statement for 2010.

The amount of in-force business reported by the Company in its 2009 Annual Statement for the business assumed from North America was approximately $97.1 million while the amount reported by North America in its 2009 Annual Statement was $78.0 million. The difference between the two amounts was roughly $19.1 million. While a lag will develop between the time of entry on North America's books and transmittal and entry of the transaction on the Company's books, the difference between the two amounts was significant and could not be attributed to a timing lag.

The Company's actuary indicated that the difference between the two amounts reported was due to an estimation formula used to calculate the amount of in-force business. He indicated that an estimation formula was used because information regarding the amount of business in-force was not available when the Annual Statement was being prepared. In 2009, the Company and North America both reported reserves and a reserve credit taken in the amount of $17.7 million, respectively. To accurately calculate the reserves, the amount of business in-force would have been known by the ceding company and should have been provided to the Company.

Note 9 – Unassigned funds **($4,169,970)**

Unassigned funds (surplus), as determined by the examination, were the same as reported by the Company in its 2009 Annual Statement.

COMMITMENTS AND CONTINGENT LIABILITIES

Examination of these items included: reviewing the Company's Annual Statement disclosures, generally reviewing the Company's records and files for unrecorded items, and obtaining letters of representation from management.

As of December 31, 2009, there was no pending litigation against the Company and no material contingent liabilities were identified.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was conducted during the current examination with regard to the Company's compliance with the recommendations made in the previous examination report. This review indicated that the Company had satisfactorily complied with prior examination recommendations except for the following:

Conflict of Interest

In the prior examination report, it was recommended that the Company have a policy and procedure for the effective disclosure of conflict of interest to the Board of Directors or trustees of the corporation. The procedure should include a conflict of interest statement signed annually by each officer, director and other key personnel in compliance with the Company's conflict of interest policy. The Company did not comply with this recommendation; see "**Conflict of Interest**" section on page 8.

Corporate Records

In the prior examination report for Alabama Reassurance Company (Company's predecessor), it was recommended that the Company's corporate records document the approval of its investment transactions in accordance with ALA. CODE § 27-41-5 (1975) which states:

> "An insurer shall not make any investments or loans, other than loans on policies or annuity contracts, unless the same be authorized, approved or ratified by the board of directors of the insurer or by such committee or person as the board of directors shall expressly authorize. The action of the board of directors, the committee or, other persons so authorized shall be recorded and regular reports thereof shall be submitted to the board of directors. ..."

The Company did not comply with this recommendation, see "**Corporate Records**" section on page 9.

Management and Service Agreements

In the prior examination report for Alabama Reassurance Company (Company's predecessor), it was recommended that the Company file agreements with affiliated companies with the Alabama Department of Insurance in accordance with ALA. CODE § 27-29-5 (b) (1975) which states:

> "The following transactions involving a domestic insurer and any person in its holding company system may not be entered into unless the insurer has notified the commissioner in writing of its intention to enter into such transaction at least 30 days prior thereto, or such shorter period as the commissioner may permit...all management agreements, service contracts, and all cost-sharing arrangements. ..."

It was also recommended that the Company pay for only those expenses that it is contracted to pay for under the "Joint Office Expense Allocation Agreement" or revise the agreement to include those other expenses not included in the agreement for which the Company has been charged in the past, and file such agreement with the Alabama Department of Insurance. The Company did not comply with these recommendations; see "**Management and Service Agreements**" section on page 10.

Compliance with ALA. ADMIN. CODE 482-1-146 (2009)

In the prior report of examination for Alabama Reassurance Company (Company's predecessor), it was recommended that the Company require all current employees to sign an affidavit concerning the Violent Crime Control and Law Enforcement Act of

1994 on an annual basis to ensure compliance with ALA. ADMIN. Code 482-1-121 (2003) which was replaced by ALA. ADMIN. CODE 482-1-146 (2009). The Company did not comply with this recommendation; see "**Compliance with ALA. ADMIN. CODE 482-1-146 (2009)**" section on page 15.

Accounts and Records

In the prior examination report for Alabama Reassurance Company (Company's predecessor), it was recommended that the Company complete the NOTES TO FINANCIAL STATEMENTS and General Interrogatories accurately and in accordance with the guidance provided by the NAIC Accounting Practices and Procedures Manual. The Company did not comply with this recommendation, see "**Notes To Financial Statements and General Interrogatories**" section on page 18.

Common stocks

In the prior examination report for Alabama Reassurance Company (Company's predecessor), it was recommended that for multiple purchases, the total of the items and the date of last trade be inserted in the Annual Statement, in accordance with the NAIC Annual Statement Instructions which states, "Each issue of stocks acquired at public offerings on more than one date may be totaled on one line and the date of last acquisition inserted." The Company did not comply with this recommendation; see "**Note 2 – Common stocks**" on page 25.

Cash, cash equivalents and short-term investments

In the prior examination report for Alabama Reassurance Company (Company's predecessor), it was recommended that the Company maintain an approved custodial agreement for any cash held outside of the state of domicile with a brokerage firm, in compliance with ALA. ADMIN. CODE 482-1-077-.04 (2003) which states:

> "An insurance company may, by written agreement with a custodian, provide for the custody of its securities with a custodian…The agreement shall be in writing and shall be authorized by a resolution of the board of directors of the insurance company or of an authorized committee of the board."

It was also recommended that the Company comply with ALA. CODE § 27-37-1 (1975), which states:

> "In any determination of the financial condition of an insurer, there shall be allowed as assets only such assets as are owned by the insurer and which consist of: (1) Cash in the possession of the insurer or in transit under its control, and including the true balance of any deposit in a solvent bank or trust company…"

The Company did not comply with this recommendation; see "**Note 3 – Cash, cash equivalents, and short-term investments**" on page 26.

COMMENTS AND RECOMMENDATIONS

Conflict of Interest – Page 8

It is again recommended that the Company establish a policy and procedure for the effective disclosure of conflict of interest to the Board of Directors or trustees of the corporation. The procedure should indicate a conflict of interest statement signed annually by each officer, director and other key personnel in compliance with the Company's conflict of interest policy.

Corporate Records – Page 8

It is again recommended that the board of directors authorized, approve and ratify the investments in accordance with ALA. CODE § 27-41-5 (1975) which states,

> "An insurer shall not make any investment or loan, other than loans on policies or annuity contracts, unless the same be authorized, approved or ratified by the board of directors of the insurer or by such committee or person as the board of directors shall expressly authorize. The action of the board of directors, the committee, or other persons so authorized shall be recorded and regular reports thereof shall be submitted to the board of directors. …"

Management and Service Agreements – Page 10

It is again recommended that the Company reimburse the Greene Group for only those expenses that it is contracted to pay for under the Joint Office Expense Allocation Agreement or revise the agreement to include those other expenses not included in the agreement for which the Company has been charged, and file such agreement in accordance with ALA. ADMIN. CODE 482-1-055-.18 (1994) which states: "An insurer required to give notice of a proposed transaction pursuant to

Section 27-29-5 shall furnish the required information on Form D, hereby made a part of this chapter."

It is recommended that the Company obtain a refund of all amounts paid in excess of contractual requirements.

Loss Experience-Page 14

It is recommended that the Company complete the Analysis Of Increase In Reserves During The Year in accordance with the NAIC Annual Statement Instructions which indicates that the following should be entered on line 2, "Enter tabular net premiums or considerations as determined by valuation based employed."

It is recommended that the Company reflect the reserves released by death on line 10, of the Analysis of Increase In Reserves During The Year as required by the NAIC Annual Statement Instructions.

It is recommended that the Company record its premiums and annuity considerations for life and A&H contracts separately from its annuity benefits in accordance with the NAIC Annual Statement Instructions.

It is recommended that the Company properly lists it death claims and surrenders on the Exhibit of Life Insurance in accordance with the NAIC Annual Statement Instructions.

Compliance with ALA. ADMIN. CODE 482-1-146 (2009) – Page 15

It is again recommended that the Company establish internal procedures for background checks or investigations, or otherwise for applicants for employment and employees in accordance with ALA. ADMIN. CODE 482-1-146 (c) (2009) which states: A Section 1033 insurer subject to the Commissioner's examination authority shall have and apply the following:

(a) An internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a Section 1033 offense.

(b) An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense. …"

Accounts and Records – Page 18

It is recommended that the Company's officers, who attest on the jurat page of the Annual Statement, ensure that the filed Annual Statements are in accordance with ALA. CODE §27-3-26 (1975) which states: "Each authorized insurer shall…file with the commissioner a full and true statement of its financial condition, transactions and affairs as of December 31, preceding. …"

It is recommended that the company establish written policies and procedures regarding day-to-day operations, including procedures for safeguarding confidential information.

It is recommended that requested information be provided within ten working days, as required by 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. …"

It is recommended that the Company establish a formal and written policy regarding its information technology (IT) infrastructure; that includes policies and procedures regarding IT security, disaster recovery, and business continuity.

It is recommended that the Company complete the Notes To Financial Statements and General Interrogatories in accordance with the NAIC Annual Statement Instructions.

It is recommended that the Company complete the following analysis or exhibits contained within the Annual Statement in accordance with the NAIC Annual Statement Instructions.

1. Analysis of Operation By Line of Business
2. Analysis of Increase in Reserves During the Year
3. Exhibit 1 Part 1
4. Exhibit 1 Part 2
5. Exhibit 4
6. Exhibit 8 Part 1
7. Exhibit 8 Part 2

Bonds – Page 25

It is recommended that the FE administrative symbol be used to identify securities that are exempt from the filing requirements in accordance with the NAIC Purposes and Procedures Manual of the NAIC Securities Valuation Office which states, "FE means exempt from filing with the SVO and is used by an insurance company to report an NAIC Designation for an exempt security on the NAIC Financial Statement Blank. When reporting a security on its annual or quarterly financial statements, the administrative symbol **FE** is used with an **NAIC 1** through **6** Designation. ..."

It is recommended that the trade date be listed in the Annual Statement as the date of acquisition, in accordance with the NAIC Annual Statement Instructions which states: "A bond acquisition is recorded on the trade date, not the settlement date, except for the acquisition of private placement bonds that are recorded on the funding date."

Common stocks-Page 25

It is again recommended that the acquisition date reported in the Annual Statement for shares of stocks acquired on multiple days, be the date of the last acquisition in accordance with the NAIC Annual Statement Instructions which states: "Each issue of stocks acquired at public offerings on more than one date may be totaled on one line and the date of last acquisition inserted."

Cash, cash equivalents, and short-term investments-Page 26

It is recommended that the Company show all banks, trust companies, savings and loans associations on Schedule E – Part 1- Cash in accordance with the NAIC Annual Statement Instructions which states: "This schedule shows all banks, trust companies, savings and loan and building and loan associations in which the company maintained deposits at any time during the year and the balances, if any, on December 31, of the current year."

It is again recommended that the Company comply with ALA. CODE § 27-37-1 (1975), which states: "In any determination of the financial condition of an insurer, there shall be allowed as assets only such assets as are owned by the insurer and which consist of: (1) Cash in the possession of the insurer or in transit under its control, and including the true balance of any deposit in a solvent bank or trust company..."

<u>Deferred premiums, agents' balances</u>
<u>in the course of collection but not yet due</u>
<u>Commissions and expense allowances on reinsurance assumed</u>
<u>Death benefits</u> – Page 27

It is recommended that the Company post and report its deferred premiums, commissions and expense allowances on reinsurance assumed, and death benefits in accordance with the NAIC <u>Annual Statement Instructions.</u>

It is recommended that the Company correctly complete the Notes to Financial Statements and correctly record deferred premiums in Exhibit 1.

<u>Aggregate reserves for life contracts</u> – Page 28

It is recommended that the Company prepare an asset adequacy analysis each year end which utilizes actual assets recorded in the Annual Statement of the Company in accordance with ALA. ADMIN. CODE 482-1-112-.05 (2003) which states:

> "(4) Standards for Asset Adequacy Analysis. The asset adequacy analysis required by this chapter: (a) Shall confirm to the Standards of Practice as promulgated from time to time by the Actuarial Standards Board and on any additional standards under this chapter, which standards are to form the basis of the statement of actuarial opinion in accordance with Rule 482-1-112-.08. (b) Shall be based on methods of analysis as are deemed appropriate for such purposes by the Actuarial Standards Board. (c) Liabilities to be covered."

Contract claims
Commissions and expense allowances payable on reinsurance assumed
Premiums and annuity considerations for life and a&h contracts
Aggregate write-ins for miscellaneous income
Surrender benefits and withdrawals for life contracts- Page 29

It is recommended that the Company complete and accurately report information as it relates to its death benefits, commissions and expenses payable on reinsurance assumed, premiums, aggregate-write-ins for miscellaneous income, and surrenders in accordance with ALA. CODE § 27-3-26 (1975) which states, "…Each authorized insurer shall….file with the commissioner a full and true statement of its financial condition, transactions and affairs as of the December 31, preceding. …"

It is recommended that the Company require its ceding company to provide the necessary information needed to determine the amount of contract claims, commissions and expense allowances, premiums, and surrenders within a timely manner for proper inclusion in the Company's Annual Statement.

Aggregate write-ins for liabilities- Page 30

It is recommended that the Company obtain prior approval before making interest payments on surplus notes in accordance with ALA. ADMIN. CODE 482-1-094-.06 (c)(1993) which states: "All payments of principal and interest shall be subject to the prior approval of the Commissioner."

It is recommended that the Company accurately report its amounts payable to insurers in its Annual Statement in accordance with ALA. CODE § 27-3-26 (1975) which states, "…Each authorized insurer shall…file with the commissioner a full and true statement of its financial condition, transactions and affairs as of the December 31, preceding. …"

Premiums and annuity considerations for life and a&h contracts
Surrender benefits and withdrawals
Dividends to policyholders – Page 30

It is recommended that the Company not net dividends to policyholders and surrender benefits and withdrawals for life contracts in premium income. In accordance with the NAIC Annual Statement Instructions, the Company should: "Report premium and annuity considerations for life and accident and health contracts including experience rating refunds, assumed reinsurance and net of reinsurance ceded."

It is recommended that the Company require its ceding companies to provide the necessary information needed to determine the amount of business in-force within a timely manner for proper inclusion in the Company's Annual Statement.

SUBSEQUENT EVENTS

The general ledger and cash transactions occurring subsequent to the balance sheet date were reviewed. In addition, the examiners inquired of management regarding any significant subsequent events. There were no significant subsequent events identified.

CONCLUSION

Acknowledgement is hereby made of the courteous cooperation extended by the officers of Alabama Life Reinsurance Company, Inc. during the course of this examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed to the extent deemed appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned, Charles Turner, IS Examiner for the State of Alabama Department of Insurance; and Harland Dyer, ASA, MAAA, actuarial examiner, participated in this examination of Alabama Life Reinsurance Company, Inc.

Respectfully submitted,

Toni Bean

Toni L. Bean, CFE
Examiner-in-Charge
State of Alabama
Department of Insurance