REPORT OF EXAMINATION

OF

ALFA LIFE INSURANCE CORPORATION

MONTGOMERY, ALABAMA

as of

December 31, 2011

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EXAMINER'S AFFIDAVIT

STATE OF ALABAMA
COUNTY OF MONTGOMERY

Blase Francis Abreo, CFE, being duly sworn, states as follows:

1. I have authority to represent Alabama in the examination of Alfa Life Insurance Corporation.
2. Alabama 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 Alfa Life Insurance Corporation was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.

Francis Blase Abreo
Examiner-in-charge

Subscribed and sworn before me by Francis Blase Abreo on this 11th day of January, 2013.

(SEAL)

Margaret B. Gree
(Signature of Notary Public)

My commission expires My Commission Expires August 1, 2013.

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
201 MONROE STREET, SUITE 502
POST OFFICE BOX 303351
MONTGOMERY, ALABAMA 36130-3351
TELEPHONE: (334) 269-3550
FACSIMILE: (334) 241-4192
INTERNET: www.aldoi.gov

ROBERT BENTLEY
GOVERNOR

JIM L. RIDLING
COMMISSIONER

DEPUTY COMMISSIONER
CHARLES M. ANGELL

CHIEF EXAMINER
RICHARD L. FORD

STATE FIRE MARSHAL
EDWARD S. PAULK

GENERAL COUNSEL
REYN NORMAN

RECEIVER
DENISE B. AZAR

LICENSING MANAGER
JIMMY W. GUNN

January 11, 2013

Honorable Jim L. Ridling
Commissioner of Insurance
Alabama Department of Insurance
201 Monroe Street, Suite 502
Montgomery, Alabama 36104

Dear Commissioner Ridling:

Pursuant to your instructions and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners, a full scope financial and market conduct examination as of December 31, 2011, has been made of

ALFA LIFE INSURANCE CORPORATION
Montgomery, Alabama

at its home office at 2108 East South Boulevard, Montgomery, Alabama 36116. The report of examination is submitted herewith. Where the description "Company" or "Alfa Life" appears herein, without qualification, it will be understood to indicate Alfa Life Insurance Corporation.

SCOPE OF EXAMINATION

The Company was last examined for the five-year period ended December 31, 2006. The current examination covers the intervening period January 1, 2007 through December 31, 2011, and was conducted by examiners representing the state of Alabama. The examination of the Company was coordinated with the examinations of the following affiliated companies: 1) Alfa Mutual Insurance Company, 2) Alfa Mutual Fire Insurance Company, 3) Alfa Mutual General Insurance Company, 4) Alfa Insurance Corporation, 5) Alfa General Insurance Corporation, all domiciled in Alabama and 6) Alfa Specialty Insurance Corporation, 7) Alfa Vision Insurance Corporation, and 8) Alfa Alliance Insurance Corporation, all domiciled in Virginia. Where deemed appropriate, transactions, activities and similar items subsequent to December 31, 2011, were reviewed.

The examination was conducted in accordance with applicable statutory requirements of the State of Alabama Insurance Code and Alabama Insurance Department regulations and bulletins in addition to the procedures and guidelines promulgated by the National Association of Insurance Commissioners (NAIC), as deemed appropriate, and in accordance with generally accepted examination standards and practices.

The examination of the Company 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, 2011, 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 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 presentation of the financial statements, 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 application controls, system and program development controls, contingency planning controls, service provider controls, operation controls, processing controls, and network and internet controls.

A market conduct examination was performed concurrently with the financial examination. The market conduct examination included a review of the Company's territory and plan of operation, producers' licensing, claims processing, marketing and sales, policy forms and underwriting practices, policyholder complaints, and privacy standards. See the caption "**MARKET CONDUCT ACTIVITIES**" - Page 17.

The Company's Annual Statements for each year under examination were compared with or reconciled to the corresponding general ledger account balances. During the period covered by the examination, the Company was audited by PriceWaterhouseCoopers LLP, Birmingham, AL (PwC). PwC's workpapers were reviewed and were used in the examination as deemed appropriate by the examiners. The workpapers of the Audit Services Department (Internal Audit) and the Risk Management & Compliance Department were reviewed and used in the examination as deemed appropriate.

A signed certificate of representation was obtained during 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, 2011.

ORGANIZATION AND HISTORY

The Company is the product of a merger between two Alabama domestic insurers. A brief history of each follows.

The Cotton States Life Insurance Company (CSL)

CSL was incorporated on December 4, 1954, in Dallas County, Alabama, to do business as a mutual aid, benefit and industrial company, with the powers and privileges prescribed by the State of Alabama. At incorporation, the authorized capital of CSL consisted of 150,000 shares of common stock with a par value of $0.80 per share. The capital structure of CSL changed, as to the number of authorized shares and the par value of the shares, from the time of incorporation through the merger of CSL in 1973.

Federated Guaranty Life Insurance Company (FGL - Old)

FGL – Old was incorporated on October 22, 1971, in Montgomery County, Alabama. It was formed as a subsidiary of Alabama Farm Bureau Mutual Casualty Insurance Company, Inc. (AFBM), an Alabama company (currently, Alfa Mutual Insurance Company). The authorized capital of FGL - Old consisted of 3,000,000 shares of common stock with a par value of $1 per share. FGL - Old started business with paid-in capital of $1,000,000, and paid-in and contributed surplus of $2,000,000 derived from the sale of 1,000,000 shares of authorized stock.

Federated Guaranty Life Insurance Company (FGL)

Effective December 31, 1973, FGL - Old was merged into CSL and the surviving corporation was named FGL. The authorized capital stock of FGL on the date of the merger consisted of 5,000,000 shares of common stock with a par value of $1 per share. Each share of the capital stock of FGL – Old was automatically converted into a share of capital stock of the surviving corporation. The share certificates of FGL – Old were not necessary to be surrendered for exchange of new certificates of FGL. Each share of the capital stock of CSL was represented by $2.50 par value common stock issued and outstanding at the effective date of merger, and the certificates were automatically converted into 1 1/3rd shares of FGL capital stock. The shares of CSL capital stock, not surrendered for conversion into $2.50 par value FGL capital stock, represented $0.50 par value stock, (some of which had been issued at $0.80 par value), were automatically converted into 4/15th fractional shares of the capital stock of FGL.

Effective May 1, 1987, the Alabama Farm Bureau Federation withdrew from the national Farm Bureau Federation, of which it was a franchise member, and changed its name to Alabama Farmers Federation. The names of all the insurance companies within the group also changed. The name of the Company was changed from FGL to Alfa Life Insurance Corporation.

On December 31, 2011, the authorized capital was 5,000,000 shares, of which 4,211,498 shares were issued and outstanding at the rate of $1 par value per share, and the Gross paid and contributed surplus was $54,616,411. The Company received $40 million in capital contribution from Alfa Corporation on December 17, 2008, in order to increase the surplus and to maintain the A+ rating from A.M. Best. The Company paid a $60 million extraordinary dividend to Alfa Corporation in connection with the privatization of Alfa Corporation on April 10, 2008.

The changes in the capital structure of the Company are provided in the following table:

Description	2006	2011
Capital and Surplus	$ 4,211,498	$ 4,211,498
Gross paid in and contributed surplus funds	14,616,411	54,616,411
Aggregate write-ins for special surplus funds	245,000	20,730,268
Unassigned funds (surplus)	183,125,429	108,469,691
Total Capital and surplus	**$ 202,198,338**	**$ 188,027,868**

MANAGEMENT AND CONTROL

Stockholders

The Company is a stock corporation with ultimate control vested in its stockholders. At December 31, 2011, 100% of the issued and outstanding common stock was owned by Alfa Corporation. Alfa Corporation is owned 65% by Alfa Mutual Insurance Company and 35% by Alfa Mutual Fire Insurance Company.

Board of Directors

The following directors were elected to the Board and were serving at December 31, 2011.

Name	Principal Occupation
Jerry Allen Newby* Athens, Alabama	Chairman of the Board, CEO, President Alfa Life Insurance Corporation
Clyde Lee Ellis, III* Montgomery, Alabama	Treasurer Alfa Life Insurance Corporation
Stephen Goddard Rutledge Montgomery, Alabama	Executive Vice President, Marketing & Business Development, Alfa Life Insurance Corporation
Herman Alan Scott Montgomery, Alabama	Secretary Alfa Life Insurance Corporation

*Retired in 2012

Officers

The following officers were elected by the Board of Directors and were serving at December 31, 2011.

Officer	Title
Jerry Allen Newby*	Chairman of the Board, President and CEO
Clyde Lee Ellis III*	Executive Vice President and Treasurer
Herman Alan Scott	Secretary

*Retired in 2012

The following officers were appointed by the Board of Directors and were serving at December 31, 2011.

Officer	Title
Stephen Goddard Rutledge	Executive Vice President Marketing & Business Development
Ralph Clayton Forsythe*	Senior Vice President, Chief Financial Officer
John Thomas Jung**	Senior Vice President, Chief Information Officer
Thomas Earle Bryant	Senior Vice President, Human Resources
Robert Ernest Robison	Senior Vice President, Life & Loan Operations
Patrick Anthony Smith	Senior Vice President, Alabama Marketing
Carol Lynn Golsan	Senior Vice President, Marketing Services
Alfred Edwin Schellhorn	Senior Vice President, Corporate Development
Robert Watt Pace	Senior Vice President, Georgia/Mississippi Marketing
John Delane Hemmings, Jr.	Senior Vice President, Investments
Thomas Allen Foster	Vice President, Life Underwriting & Policy Owner Service
Janice Thomason Hopkins	Vice President, Life Processing and Claims
Jerry Franklin Enoch	Vice President, Life Actuary
Angela Long Cooner	Vice President & Associate General Counsel
Jeffrey Joseph Bradwell	Vice President & Associate General Counsel
Jeffrey Holland Nickles	Vice President, Tax Accounting
Patti Jo Everage	Vice President, Financial Reporting & Planning
Russell John Sinco	Vice President, Controller
Rhonda Welch Sikes	Vice President, Corporate Services and Reporting
Tammy Renee Hackett	Asst. Vice President, Life & Investment Accounting
George Clifford Crosby	Asst. Vice President, Life Actuary
Dave Eric Swedenburg	Asst. Vice President, Life Underwriting

*Retired 2012
**Will retire in 2013

Conflict of Interest

The Company had implemented a written policy for the disclosure of conflicts between the Company's interests and the personal interests of directors, officers, and other employees. Officers and other employees were required biennially to electronically update their original conflict of interest attestation. The original attestation occurred when an employee was hired. The biennial process was performed/monitored by the Risk Management & Compliance Department. The

Human Resources Department was also involved in reviewing the responses for potential conflicts.

While there was no written policy governing Director conflict of interest disclosures, Company procedure required members of the Board of Directors to sign written conflict of interest statements annually. These conflict of interest statements were maintained by the Company's legal department. The documents on file were complete and current.

Dividends to Policyholders

The Company paid the following dividends to policyholders during the period covered by the examination:

Year	Amount
2007	$ 4,286,804
2008	$ 4,420,719
2009	$ 4,492,417
2010	$ 5,377,764
2011	$ 4,897,323

CORPORATE RECORDS

The Articles of Incorporation and *Bylaws*, as amended, were inspected during the course of the examination and were found to provide for the Company's operation in accordance with the usual corporate practices and applicable statutes and regulations.

Minutes of meetings of the Stockholders, Board of Directors and Committees of the Company were reviewed for the period under examination. The minutes appeared to be complete with regard to recorded actions taken on matters before the respective bodies for deliberation and action.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company Registration

The Company is subject to the Alabama Insurance Holding Company Regulatory Act, as defined in ALA. CODE § 27-29-1 (1975). In connection therewith, the Company is registered with the Alabama Department of Insurance as joint registrant of an Insurance Holding Company System. The Company is responsible for holding company registration and periodic filings in accordance with ALA. CODE § 27-29-4 (1975) and ALA. ADMIN. CODE 482-1-055 (1994).

Appropriate filings required under the Holding Company Act were made from time to time by the Company. The examination did not determine that any required disclosures were excluded from the Company's filings.

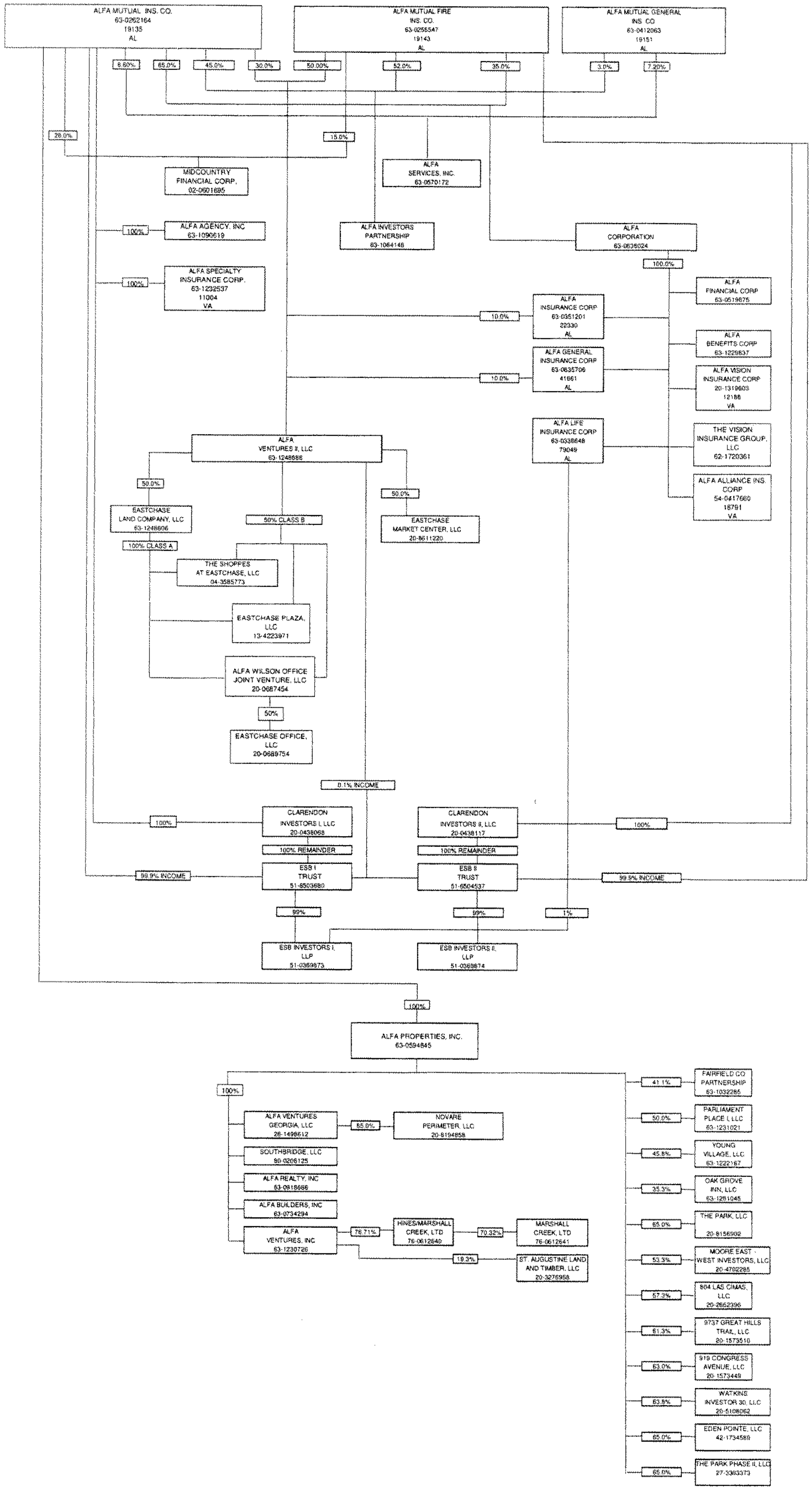
Dividend to Stockholders

During the period under examination, the Company paid the following cash dividends to its sole stockholder, Alfa Corporation.

Year	Dividend
2007	$ 344,000
2008	$ 60,000,000
2009	$ 0
2010	$21,500,000
2011	$20,000,000

Organizational Chart

The following chart presents the identities and interrelationships among all affiliated persons within the Insurance Holding Company system at December 31, 2011.


ALFA MUTUAL INS. CO. 63-0262164 19135 AL
ALFA MUTUAL FIRE INS. CO. 63-0255547 19143 AL
ALFA MUTUAL GENERAL INS. CO 63-0412063 19151 AL
8.60%
65.0%
45.0%
30.0%
50.00%
52.0%
35.0%
3.0%
7.20%
28.0%
15.0%
MIDCOUNTRY FINANCIAL CORP. 02-0601695
ALFA SERVICES, INC. 63-0570172
100%
ALFA AGENCY, INC 63-1090619
ALFA INVESTORS PARTNERSHIP 63-1064146
ALFA CORPORATION 63-0838024
100.0%
100%
ALFA SPECIALTY INSURANCE CORP. 63-1232537 11004 VA
ALFA FINANCIAL CORP 63-0519875
10.0%
ALFA INSURANCE CORP 63-0351201 22330 AL
ALFA BENEFITS CORP 63-1229837
10.0%
ALFA GENERAL INSURANCE CORP 63-0835706 41661 AL
ALFA VISION INSURANCE CORP 20-1319603 12188 VA
ALFA LIFE INSURANCE CORP 63-0338648 79049 AL
THE VISION INSURANCE GROUP, LLC 62-1720361
ALFA VENTURES II, LLC 63-1248688
ALFA ALLIANCE INS. CORP 54-0417660 18791 VA
50.0%
50.0%
EASTCHASE LAND COMPANY, LLC 63-1248606
50% CLASS B
EASTCHASE MARKET CENTER, LLC 20-8611220
100% CLASS A
THE SHOPPES AT EASTCHASE, LLC 04-3585773
EASTCHASE PLAZA, LLC 13-4223971
ALFA WILSON OFFICE JOINT VENTURE, LLC 20-0687454
50%
EASTCHASE OFFICE, LLC 20-0689754
0.1% INCOME
100%
CLARENDON INVESTORS I, LLC 20-0438068
CLARENDON INVESTORS II, LLC 20-0438117
100%
100% REMAINDER
100% REMAINDER
99.9% INCOME
ESB I TRUST 51-6503680
ESB II TRUST 51-6504537
99.9% INCOME
99%
99%
1%
ESB INVESTORS I, LLP 51-0369873
ESB INVESTORS II, LLP 51-0369874
100%
ALFA PROPERTIES, INC. 63-0594845
100%
41.1%
FAIRFIELD CO PARTNERSHIP 63-1032285
50.0%
PARLIAMENT PLACE I, LLC 63-1231021
ALFA VENTURES GEORGIA, LLC 26-1498612
85.0%
NOVARE PERIMETER, LLC 20-8194858
SOUTHBRIDGE, LLC 80-0206125
45.8%
YOUNG VILLAGE, LLC 63-1222167
ALFA REALTY, INC 63-0918666
35.3%
OAK GROVE INN, LLC 63-1261045
ALFA BUILDERS, INC 63-0734294
65.0%
THE PARK, LLC 20-8156902
ALFA VENTURES, INC 63-1230726
76.71%
HINES/MARSHALL CREEK, LTD 76-0612640
70.32%
MARSHALL CREEK, LTD 76-0612641
19.3%
ST. AUGUSTINE LAND AND TIMBER, LLC 20-3276958
53.3%
MOORE EAST - WEST INVESTORS, LLC 20-4702285
57.3%
804 LAS CIMAS, LLC 20-2862396
61.3%
9737 GREAT HILLS TRAIL, LLC 20-1573510
63.0%
919 CONGRESS AVENUE, LLC 20-1573449
63.8%
WATKINS INVESTOR 30, LLC 20-5108062
65.0%
EDEN POINTE, LLC 42-1734589
65.0%
THE PARK PHASE II, LLC 27-3363373

Transactions and Agreements with Affiliates

Management and Operating Agreement

The Agreement was amended and restated effective January 1, 2010, among and between Alfa Mutual Insurance Company (AMI) and the following companies: 1) Alfa Mutual Fire Insurance Company, 2) Alfa Mutual General Insurance Company, 3) Alfa Life Insurance Corporation, 4) Alfa Insurance Corporation, 5) Alfa General Insurance Corporation, 6) Alfa Specialty Insurance Corporation, 7) Alfa Alliance Insurance Corporation, 8) Alfa Vision Insurance Corporation, 9) Alfa Financial Corporation, 10) Alfa Corporation, 11) Alfa Builders, Inc., 12) Alfa Realty, Inc., 13) Alfa Properties, Inc., 14) Alfa Agency, Inc., 15) Alfa Benefits Corporation, 16) East South Boulevard Investors I, LLP, 17) East South Boulevard Investors II, LLP, 18) The Vision Insurance Group, LLC, 19) Alfa Ventures, Inc., 20) Alfa Ventures, II, LLC and 21) Alfa Investors Partnership (each a "Company" and collectively "Companies"). AMI and the Companies shall be referred herein, collectively as the "Parties" or each individually, a "Party."

AMI and the Companies agreed to the following:

- Appointment: Each Company appointed and engaged AMI, which accepted the appointments, to conduct, operate and manage the business operation of each Company with full power and authority as authorized by the Companies' respective charters or Boards of Directors or both.
- Authority of AMI: AMI, acting through its employees, would conduct, supervise and manage the day-to-day operations of the Companies, exercising reasonable judgment and efforts in the performance of its functions. The business of each Company would be conducted in its name and for its benefit, and the records, accounts and business of each Company would be maintained separately. AMI would have full authority with respect to but not limited to:

    a. Appointment of agents and subagents ("Producers");
    b. Collection and payment of commissions;
    c. Underwriting;
    d. Distribution, endorsement, renewal and cancellation of policies;
    e. Regulatory Compliance;
    f. Premium payment and collection;
    g. Marketing;
    h. Information technology;
    i. Investments;
    j. Preparation and analysis of financial statements, records and reports;

k. Calculation, payment and filing of forms for federal, state and local income, import and excise taxes;
l. Budgeting;
m. Negotiation, assumption, placement and administration of reinsurance;
n. Claims processing and administration;
o. Loss payment; and
p. Reserves.

- Employees: AMI would employ, in its own name, all personnel necessary to perform duties under this Agreement and would be solely responsible for the employment, supervision, payment and discharge of all such personnel. Each Company may employ personnel in its own name, upon written consent of AMI, and would be solely responsible for the employment, supervision, payment and discharge of all such personnel.
- Expense Allocation: Each Company would pay and/or reimburse AMI the percentages of expense incurred by AMI, based on special expense allocation studies. The expense allocation rates were variable and based upon business activity metrics that differ between Companies, depending upon the type of business, marketing and distribution method, location, etc. The Companies understood and agreed that the metrics may change from time to time, and not every Company would have the same metrics applied to its expense allocation. The allocations may be adjusted accordingly and when appropriate, in AMI's sole discretion, may be applied retroactively. Each Company acknowledged and agreed that there may be certain goods or services used solely by or for the benefit of one Company that are not included in this Agreement. All books of account, documents and records relating to such expenses would at all times be open to inspection by the Company to which the records are applicable.
- Indemnification: Each Company would indemnify, defend and hold harmless AMI from and against any and all liability, claims, costs, losses, damages and expenses, which AMI may suffer or incur on account of:

a. The operation and management of the Company by the Company or any party other than AMI at any time before the Effective Date;
b. The failure of the Company to perform or the negligent performance of any covenant, obligation, agreement or duty made or arising;
c. The breach of any warranty or representation made by the Company;
d. AMI would protect, indemnify, defend and hold harmless a Party(ies) from and against any and all damages which the Party(ies) may suffer or incur on account of the gross negligence of AMI or its employees with respect to the provision of, or failure to provide services to the Party(ies) pursuant to this Agreement.

- Arbitration: Any controversy or dispute not resolved within thirty days would be submitted for arbitration to the Birmingham, Alabama office of the America Arbitration Association in accordance with the commercial arbitration rule then in effect, and would be determined under the substantive law of the State of Alabama by one arbitrator.
- Confidentiality: Each Party agreed to keep any and all information defined as "Confidential Information" strictly confidential.
- Term and Termination: The terms of the Agreement would be for five years from January 1, 2010 to December 31, 2015, and would automatically renew for an additional period of one year beginning January 1, 2016, unless terminated. AMI and any Company may terminate its participation by giving written notice to all Parties not less than thirty days after delivery or mailing. In the event one or more Companies terminated its participation, AMI would reallocate the expense allocations on an equitable basis.
- Events Causing Termination:

    a. Dissolution, cessation of business insolvency or receivership of AMI.
    b. Dissolution, cessation of business, insolvency or receivership of any Company.
    c. In the event that any federal state or local law regulation or official interpretation of such that had a reasonably significant adverse impact on this Agreement or a provision of the Agreement, the Parties would renegotiate the Agreement to the extent necessary. If the Parties failed to reach a negotiated agreement within thirty days, the Agreement could be terminated upon thirty days prior written notice.

- Obligations Upon Termination: AMI would cease to make available to terminated Company(ies) all property and services of AMI. However, if this would materially disrupt the orderly operation of the Terminated Company, AMI would continue to make available such property and services for a reasonable period not to exceed 180 days after termination of the Agreement to assist with the orderly transition of the day-to-day operations.
- Governing Law: The Parties agreed that the validity, construction and enforceability of the Agreement would be governed by laws of the State of Alabama.
- Settlements of Amounts Owed: Monthly balances due would be settled within sixty days of the month's close.

Tax Allocation Agreement

The Agreement between Alfa Corporation ("AC" or "Parent") and its subsidiaries was effective January 1, 2007. The subsidiaries included Alfa Insurance Corporation, Alfa General Insurance Corporation, Alfa Life Insurance Corporation, Alfa Vision Insurance Corporation, Alfa Alliance Insurance Corporation, Alfa Financial Corporation, Alfa Agency Georgia, Inc., Alfa Agency Mississippi, Inc., Alfa Benefits Corporation and Alfa Vision Insurance Group, LLC ("Affiliated Group" or "Subsidiary").

The Parent and Affiliated Group agreed to the following terms.

- A U.S. consolidated income tax return would be filed by the Parent for each taxable period for which the Agreement is in effect and for which the Affiliated Group was required or permitted to file a consolidated tax report. Each Subsidiary would execute and file consents, elections and other documents required or appropriate for the proper filing of the returns.
- The tax liability would be allocated among the members (Parent and Affiliated Group) based on the percentage of the total tax for which each member would bear the responsibility if computed on a separate return.
- The tax liability would be apportioned under the percentage method of Treas. Reg. Section 1.1502-33(d)(3), which allocated the tax liability based on the absorption of tax attributes, without taking into account the ability of any member to subsequently absorb its own tax attributes.
- The tax liability would be paid in estimated tax installments due for such taxable period, and each Subsidiary would pay the Parent its share within ten days of receiving payment from the Parent, but in no event later than the due date of the payment. Any amount paid by a Subsidiary on account of a separate return or separate estimated tax payment would be credited against the consolidated tax Subsidiary. Any overpayment of estimated tax would be returned to the Subsidiary.
- If the consolidated tax liability was adjusted for any taxable period, the liability of each member would be recomputed to give effect of the adjustments, and in case of a refund, the Parent would make payment to each Subsidiary for its share within ten days after the refund was received by the Parent. In the case of an increase in tax liability, each Subsidiary would pay the Parent its allocable share within ten days after receiving notice of the liability from the Parent.
- If the Parent or any Subsidiary acquired or organized another corporation that was required to be included in the consolidated return, then that corporation would join in and be bound by this Agreement.

- If the Agreement was terminated, it would continue in effect with respect to any payment or refunds due for all taxable periods prior to termination.

FIDELITY BONDS AND OTHER INSURANCE

At December 31, 2011, the Company was a named insured on a financial institution bond issued by National Union Fire Insurance Company of Pittsburgh, Pennsylvania. The coverage insured the Company from loss caused by dishonest or fraudulent acts committed by an employee acting alone or in collusion with others. The single loss limit of the bond met the NAIC suggested minimum requirements for fidelity insurance.

In addition to the financial institution bond, the Company was also a named insured on the following insurance policies to protect against hazards to which it might be exposed:

- Commercial General Liability
- Commercial Automobile
- Worker Compensation
- Excess Worker Compensation, Alabama Only
- Umbrella Coverage
- Property Coverage
- Aviation Coverage
- Directors & Officers Errors & Omissions
- Excess D&O Liability (1st Layer)
- Excess D&O Liability (2nd Layer)
- Cyber Risk Coverage

EMPLOYEES' AND PRODUCERS' WELFARE

The Company had no employees; therefore, it had no formal employees' or producers' welfare program. Its operations were conducted by the personnel of Alfa Mutual Insurance Company, an ultimate parent of the Company, under the terms of a Management and Operating Agreement. The Company's officers, elected and appointed, were also employees of Alfa Mutual Insurance Company. For further comment, see the caption "*Management and Operating Agreement*" - Page 10.

Section 1033 of Title 18 of the U.S. CODE

Section 1033 of Title 18 of the U.S. Code and ALA. ADMIN. CODE 482-1-146 (2009) requires the Company to determine if prospective and current employees and agents are in conflict with Section 1033 of Title 18, which prohibits certain persons from participating in the business of insurance.

The Company performed pre-employment screening of full time applicants to determine if they had been convicted of a felony or had a criminal history that would require Commissioner approval. The Company's "Principles of Business Conduct" policy required employees to report felony convictions, either personal or about another employee, to their supervisor or the Human Resources department. Employees attested to Section 1033 compliance by signing an attachment to the business conduct policy. Additionally, employees were required to recertify the attachment and reaffirm Section 1033 compliance every two years.

SPECIAL DEPOSITS

In order to comply with the statutory requirements for doing business in the various jurisdictions in which it is licensed, the Company had the following securities on deposit with state authorities at December 31, 2011:

States	Book Value	Fair Value
Alabama *	$ 568,575	$ 653,125
Arkansas	100,171	118,117
Georgia	35,060	41,341
North Carolina	400,683	472,469
South Carolina	135,231	159,458
Virginia	509,037	572,531
TOTAL	**$ 1,748,757**	**$ 2,017,041**

*Held for the protection of all policyholders.

FINANCIAL CONDITION/GROWTH OF THE COMPANY

The following table sets forth the significant items indicating the growth and financial condition of the Company for the period under review:

	Admitted Assets	Liabilities	Capital and Surplus	Premiums Earned
2006*	$ 1,050,767,852	$ 848,569,514	$ 202,198,338	$ 119,938,144
2007	$ 1,100,149,668	$ 889,335,255	$ 210,814,413	$ 123,401,122
2008	$ 1,073,396,965	$ 925,337,643	$ 148,059,322	$ 128,933,936
2009	$ 1,141,858,221	$ 958,870,376	$ 182,987,845	$ 122,515,224
2010	$ 1,185,502,687	$ 995,430,817	$ 190,071,870	$ 127,648,375
2011*	$ 1,218,639,896	$ 1,030,612,028	$ 188,027,868	$ 136,862,906

***Per examination**

LOSS EXPERIENCE

The following was extracted from the Summary of Operations and the Analysis of Increase in Reserves during the Year for each of the years under examination.

	2011	2010	2009	2008	2007
Tabular Cost	$ 118,846,384	$ 111,469,278	$ 104,832,664	$ 95,824,094	$ 91,451,645
Reserves Released by Death & Other Terminations	34,217,584	33,634,493	29,653,288	28,557,815	25,740,564
Total	$ 153,063,968	$ 145,103,771	$ 134,485,952	$ 124,381,909	$ 117,192,209
Death Benefits	$ 48,363,790	$ 45,183,790	$ 36,821,541	$ 40,008,507	$ 35,950,431
Surrender Benefits	29,217,838	29,461,040	26,089,100	23,594,452	21,707,550
Total	$ 77,581,628	$ 74,644,830	$ 62,910,641	$ 63,602,959	$ 57,657,981

As can be seen from the table above, the Tabular Cost plus Reserves Released by Death and Other Terminations was always greater than the sum of Death Benefits and Surrender Benefits, which means that the mortality costs included in the reserves was more than sufficient to pay for the benefits.

MARKET CONDUCT ACTIVITIES

Territory

As of December 31, 2011, the Company was licensed to transact insurance business in the following states:

Alabama	Arkansas	Florida	Georgia
Louisiana	Mississippi	Missouri	North Carolina
South Carolina	Tennessee	Virginia	

The Company only wrote business in the states where it was licensed and authorized.

Plan of Operation

As of December 31, 2011, the Company's business was produced by 586 captive producers operating from 397 service centers throughout Alabama, Mississippi, and Georgia. At December 31, 2011, there were 434 licensed producers in Alabama; 66 in Georgia; and 86 in Mississippi. Also, there were 246 service centers in Alabama, 65 in Georgia and 86 in Mississippi.

Although, the Company was licensed in eleven states, 88% of its business in 2011 was written in Alabama, 5% in Georgia and 6% in Mississippi. The remaining 1% was written in the other states.

Advertising and Marketing

The Company's advertising materials were reviewed for the examination period. The examiners' review did not reveal any advertisements that misrepresented policy benefits, made unfair or incomplete comparisons with other policies, or made false, deceptive or misleading statements or representations.

The Company's webpage (www.alfains.com) was reviewed and found to include the following links: Home, Products, My Alfa login, Claims, and About Alfa (Alabama Farmers Federation, Newsroom, Affiliated Companies, Careers@Alfa, Customer Stories, and Contact Us).

Per Company management, producers are instructed not to create their own material if they wish to receive co-op reimbursement. Any material created by the producer has to be reviewed by the Vice President of Integrated Marketing prior to dissemination.

Claims Payment Practices

Paid Claims
A sample of 107 claims was taken from the 2011 paid claims listing from an Alabama population total of 1,407. The sample was reviewed for compliance with policy provisions, timeliness of payments, and adequacy of documentation. No significant discrepancies were found within the sample.

Denied Claims
A sample of 76 claims was taken from the 2007 - 2011 denied claims listing from an Alabama population total of 116. A review of the documentation from the sample was made to determine if it supported or justified the ultimate claim determination and the Company complied with ALA. ADMIN. CODE 482-1-124 (2003). There were no discrepancies found.

Compliance with Producers' Licensing Requirements

Termination of Producers
The examiners selected a sample of 84 Alabama producer terminations from a population of 312. The examiners could not determine if the Alabama Department of Insurance was notified of the terminations within thirty days following the effective date of the termination for eleven of the terminated producers as required by ALA CODE § 27-7-30 (e) (1975), which states:

> Subject to the producer's contract rights, if any, an insurer or authorized representative of the insurer may terminate a producer's appointment at any time. An insurer or authorized representative of the insurer that terminates the appointment, employment, or contract with a producer for any reason shall within 30 days following the effective date of the termination, using a format prescribed by the commissioner, give notice of the termination to the commissioner.

The examiners also could not determine if the Company provided the termination notification notices to the producers last known address for 23 terminated producers from the same sample in accordance with ALA CODE § 27-7-30.1(1975)(a), 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. If the producer is terminated for cause for any of the reasons listed in Section 27-7-19, the insurer shall provide a copy of the notification to the producer at his or

her last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.

Policy Forms and Underwriting Practices

Life insurance rates are not required to be filed with the Alabama Department of Insurance. The Company issued the following plan types:

1. Term Life Insurance
2. Permanent Life Insurance
3. Universal Life Insurance
4. Annuities
5. Coverage Options include:
    - Accidental death benefit
    - Children's term insurance
    - Guaranteed renewability benefit
    - Premium insurance
    - Spouse level term option
    - Waiver-of-premium benefit

According to the System for Electronic Rating and Form Filing (SERFF), the Company's Alabama form filings were approved.

Policyholder Complaints

During the examination period, there was a total of 57 life complaints in the Company's complaint register from the following states: Alabama, Georgia, Kentucky, Mississippi, and Tennessee. Alabama had 49 complaints, which were all reviewed. The Company's responses fully addressed the issues raised, and the complaints were appropriately resolved within the required timeframe. The Company recorded all complaints, both consumers direct and from the Department of Insurance, and recorded the required information in the complaint register. Based on the review of the Company's complaint procedures, it was determined that the Company had a sufficient method for the distribution of and obtaining and recording responses to complaints. The Company's telephone number and address were provided to the policyholders for consumer inquiries and/or complaints.

Privacy Policies and Practices

The Company's Privacy Notice disclosed the types of information collected, the way the information is used, the manner in which information is collected and how the information is protected. The Privacy Notice also specifically stated the customers' rights, and the Company does not disclose any information to any nonaffiliated third parties unless permitted to do so by law.

REINSURANCE

Reinsurance Assumed

The Company had no reinsurance assumed at December 31, 2011.

Reinsurance Ceded

The Company's ceded reinsurance program consisted of automatic coinsurance agreements and yearly renewable term reinsurance agreements with an option to negotiate facultative reinsurance over the reinsurers' maximum limits. The reinsurance contracts were negotiated with eight reinsurers for its "Life" and one for its "Accident and Health" insurance products.

The reinsurance agreements in-force at December 31, 2011, had effective dates ranging from January 1, 1972 through July 1, 2006. The historical retention amounts on ordinary life policies were summarized in the following table:

Year	**Standard Thru Table C**	**Table D and UP**
1972 – 08/31/80	$ 50,000	$ 25,000
9/01/80 – 04/30/82	75,000	40,000
5/01/82 – 06/30/89	100,000	50,000
7/01/89 – 10/31/97	200,000	100,000
	Standard Thru Table D	**Table E and UP**
11/01/97 – 02/28/03	$350,000	$200,000
3/01/03 – 12/31/11	500,000	300,000

Schedule S-Part 3- Section 1 of the 2011 Annual Statement reflected that the reserve credit taken by the Company was $7,199,608, and the ceded premiums were $6,500,891 at year-end 2011. The reinsurance treaties summarized below were considered significant as of December 31, 2011:

Generali USA Life

<table>
<tr><td>Treaty Number</td><td>200001-007</td></tr>
<tr><td>Type</td><td>Automatic Coinsurance/Facultative Reinsurance Agreement
Yearly Renewable Term</td></tr>
<tr><td>Coverage</td><td>Universal Life (U03 and U05)
10, 15, & 20 Level Term. Surname L – Z (Amendment – January 1, 2000)</td></tr>
<tr><td>Retention</td><td><table><tr><th>Date</th><th>Standard</th><th>Substandard Thru Table D</th><th>Substandard Over Table D</th><th>Disability Rider</th></tr><tr><td>03-01-2003</td><td>$500,000</td><td>$500,000</td><td>$300,000</td><td>$5,000</td></tr></table></td></tr>
<tr><td>Limit</td><td>Jumbo limit:
o Life: $10,000,000
Binding Limit:
o Four times the retention of the ceding company.</td></tr>
<tr><td>Amendment</td><td>Amendment: January 1, 2000.</td></tr>
<tr><td>Insolvency</td><td>Standard insolvency language without cut-through provisions</td></tr>
</table>

Generali USA Life

<table>
<tr><td>Treaty Number</td><td>200501-025</td></tr>
<tr><td>Type</td><td>Automatic Coinsurance/Facultative Reinsurance Agreement
Yearly Renewable Term</td></tr>
<tr><td>Coverage</td><td>Level Term Plans (1, 15, 20, 25, & 30). Surname A – K (January 1, 2006).
Effective 1/1/2006 – LT 20 with Return of Premium Rider</td></tr>
<tr><td>Retention</td><td><u>Effective with policies dated:</u><table><tr><th>Date</th><th>Standard</th><th>Substandard Thru Table D</th><th>Substandard Over Table D</th><th>Disability Rider</th></tr><tr><td>03-01-2003</td><td>$500,000</td><td>$500,000</td><td>$300,000</td><td>$5,000</td></tr></table></td></tr>
<tr><td>Limit</td><td>Jumbo Limits:
o Life: $10,000,000
Automatic Binding Limits:
o Four times the retention of the ceding company</td></tr>
<tr><td>Amendment</td><td></td></tr>
<tr><td>Insolvency</td><td>Standard insolvency language without cut-through provisions</td></tr>
</table>

Lincoln National Life Insurance Company

Treaty Number	2073 – Effective date January 1, 2001
Type	Automatic Excess of Loss Coinsurance/Facultative Reinsurance
Coverage	10, 15, 20, 25 and 30 year level term Waiver of Premium Disability
Retention	Effective with policies dated: *Date* / *Substandard Thru Table D* / *Substandard Over Table D* / *Disability Rider* 03-01-2003 / 500,000 / 300,000 / 5,000
Reinsurers Limit	Automatic Coinsurance Effective with policies dated (life): *Date* / *Age* / *Standard - Table D* / *Tables E – P* / *Over Table P* 11-01-1997 / 0 – 75 / $2,000,000 / $1,400,000 / None
Amendment	The Lincoln Treaty terminated, as to all new business, as of September 30, 2005. Swiss Re assumed all new business eligible for reinsurance issued after September 30, 2005, on identical terms and conditions as specified in the Lincoln Treaty.
Insolvency	Standard insolvency language without cut-through provisions

Swiss Re Life & Health America, Inc./Lincoln National Life Insurance Company

Treaty Number	
Effective	October 1, 1977
Type	Coinsurance – Self-administered
Plans Covered	Annual Convertible and Renewable Term: Plan codes- 301, 302, 307 and 309
Coverage	Surnames beginning with letters E-K
Retention	Std to Table D / Table E and Above 01/01/98 – 02/28/03: $ 350,000 / $ 200,000 03/01/03 – Present: $ 500,000 / $ 300,000
Reinsurers Limit	Life: Ages / Standard-Table D / Tables E-P 0-75 / $1,750,000 / $1,000,000 Waiver of Premium Disability: Ages / Standard-Table F 0-44 / $2,000,000 45-65 / 1,000,000
Allowances	Percent of annual gross reinsurance premiums, EXCLUDING policy fees.
Recapture	Fifteenth renewal date
Amendment	Last amendment effective March 1, 2003, which changed the retention limits.
Insolvency	Standard insolvency language without cut-through provisions

Munich American Reinsurance, Atlanta, GA

Treaty Number	1554, 1635 - (3249 effective January 1, 2005)
Type	- Automatic Excess of Loss Coinsurance /Facultative Reinsurance - Yearly Renewable Term
Coverage	Effective January 1, 1998 – Treaty No. 1554, and Effective January 1, 2005 – Treaty No 3249: (Surname beginning L – Z.) Plan Name — Plan Code o 10 Year Term 721, 731, 751 o 15 Year Term 723, 733, 753 o 20 Year Term 725, 735, 755 o 25 Year Term 727, 757 o 30 Year Term 729, 759 Effective January 1, 2005 - Treaty No. 3249 o Return of premium 20 Year Level Term : Form No. 745 Effective January 1, 2005 - Treaty No. 1635 (Surname beginning A – F.) o Individual and joint decreasing term plans: 10 year – Plan 511; 15 year – Plan 512; 20 year – Plan 513; 25 year – Plan 514; and 30 year – Plan 515 (Attachment Number 1). o Flexible Premium Adjustable Life, Form Number UL-01-87(Attachment Number 2), U03 and U05. o Annual Renewable Term: Plan code 309 (Surname beginning A – D). (Attachment Number 3). Effective January 1, 2009 – Treaty 3249 o Excess Interest Whole Life: Plan code 613
Retention	Effective with policies dated: *Date* / *Standard* / *Substandard Tables A- D* / *Substandard Tables E-P* / *Disability Rider* 03-01-2003 / $500,000 / $500,000 / $300,000 / N/A
Limit	Jumbo Limits: o Life (with or without waiver of premium): $4,000,000 o Accidental Death Benefits: $200,000 Binding Limits: o Life Insurance: Certain limits apply. o Waiver of Premium Disability Benefits: Disability Benefits not insured, unless the parties to the treaty agree to include such benefits. o Accident Death Benefits: Accident Death Benefits not insured, unless the parties to the treaty agree to include such benefits.
Amendment	Amendment numbers 1, 2, 3 and 4 (Treaty # 3249.)
Insolvency	Standard insolvency language without cut-through provisions

Schedule S – Part 3 – Section 2 of the 2011 Annual Statement indicated that the Company's ceded reinsurance program for Accident and Health Insurance policies encompassed an agreement with Lincoln National Life Insurance Company. The agreement was effective January 1, 1972 and was updated in 2000 and 2003. The reserve credit taken by the Company was $512,925, and the ceded premiums were $414,526 at December 31, 2011.

Fronting Arrangement with Aviva Life & Annuity Company, Indianapolis, IN:

The Company has a fronting arrangement with Aviva Life & Annuity Company, Indianapolis, Indiana. During 2011, the amount of insurance in-force was $4.5 million; the reinsurance premiums ceded were $40,535; and the reserve credit taken was $308,949.

ACCOUNTS AND RECORDS

The Company's principal accounting records were maintained on electronic data processing equipment. Management and record-keeping functions were performed by the personnel of Alfa Mutual Insurance Company (AMI) under the terms of a Management and Operating Agreement. See the caption "*Management and Operating Agreement*"– Page 10.

The Company and other Alfa insurers were audited annually on a statutory basis by the certified public accounting firm of PriceWaterhouseCoopers LLP, Birmingham, Alabama. The audit reports and workpapers of the external auditors were made available to the examiners and were utilized as deemed appropriate.

The Company's reserves were certified by Mr. George Clifford Crosby, FSA, MAAA, Assistant Vice President and Valuation Actuary of the Company for each year under examination.

FINANCIAL STATEMENT INDEX

The financial statements included in this report were prepared on the basis of the Company's records, and the valuations and determinations made during the examination for the year 2011. Amounts shown in the comparative statements for the years 2010, 2009, 2008 and 2007 were compiled from Company copies of filed Annual Statements. The statements were presented in the following order:

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF.

ALFA LIFE INSURANCE CORPORATION
STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
For the Year Ended December 31, 2011

	Assets	Assets Not Admitted	Net Admitted Assets
ASSETS			
Bonds	$ 886,565,759	$ 825,000	$ 885,740,759
Stocks:			
Preferred stocks	8,122,346		8,122,346
Common stocks	54,525,931		54,525,931
Cash ($4,680,712, Sch. E-Part 1), cash equivalents and short-term investments($148,092,951, Sch. DA)	152,773,663		152,773,663
Contract loans	75,723,019	451,922	75,271,097
Other invested assets (Schedule BA)	2,319,146	0	2,319,146
Subtotals, cash and invested assets	$1,180,029,865	$ 1,276,922	$1,178,752,943
Investment income due and accrued	12,253,766	0	12,253,766
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	762,624		762,624
Amounts recoverable from reinsurers	253,488		253,488
Current federal and foreign income tax recoverable and interest thereon	299,519		299,519
Net deferred tax asset	38,044,064	11,729,183	26,314,881
Electronic data processing equipment and software	7,651,826	7,651,826	
Receivables from [parent, subsidiaries and affiliates	2,674		2,674
Health care ($0) and other amounts receivable	26,008	26,008	
Aggregate write-ins for other than invested assets:			
Prepaid expenses	183,771	183,771	0
TOTALS	**$1,239,507,607**	**$20,867,711**	**$1,218,639,896**

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF.

ALFA LIFE INSURANCE CORPORATION
STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
For the Year Ended December 31, 2011

LIABILITIES	
Aggregate reserve for life contracts **(Note 1)**	$ 985,101,506
Aggregate reserve for accident and health contracts	1,180,361
Liability for deposit-type contracts	16,429,787
Contract claims:	
Life	6,484,351
Accident and health	72,412
Dividends apportioned for payment	4,952,241
Premiums and annuity considerations for life and accident and health contracts received in advance	298,170
Contract liabilities not included elsewhere:	
Surrender values for canceled contracts	203,979
Interest maintenance reserve	357,546
Commissions to agents due or accrued-life contract	786,087
General expenses due or accrued	576,913
Taxes, licenses and fees due or accrued, excluding federal income taxes	182,425
Unearned investment income	9,721
Amounts withheld or retained by company as agent or trustee	2,694
Remittances and items not allocated	124,694
Miscellaneous liabilities:	
Asset valuation reserve	5,451,129
Payable to parent, subsidiaries and affiliates	4,516,938
Aggregate write-ins for liabilities	
Amounts held for other accounts	1,256,596
Reserve for enhanced benefits on minimum deposit policies	2,321,138
Claim stabilization reserve	58,889
Payable for tax credits	244,451
Total Liabilities	$ **1,030,612,028**
CAPITAL AND SURPLUS	
Common capital stock	$ 4,211,498
Gross paid in and contributed surplus	54,616,411
Aggregate write-ins for other than special surplus funds	20,730,268
Unassigned funds (surplus) **(Note 2)**	108,469,691
Total Surplus	183,816,370
Total Capital and Surplus	$ **188,027,868**
TOTAL LIABILITIES, CAPITAL AND SURPLUS	**$ 1,218,639,896**

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF.

ALFA LIFE INSURANCE CORPORATION
SUMMARY OF OPERATIONS
For the Years Ended December 31, 2011, 2010, 2009, 2008, and 2007

Income	2011	2010	2009	2008	2007
Premiums and annuity consideration	$136,862,906	$127,648,375	$122,515,224	$128,933,936	$123,401,122
Considerations for supplementary contracts with life contingencies	0	0	246,151	103,999	0
Net investment income	50,974,644	50,949,240	49,279,985	54,353,429	58,631,304
Amortization of IMR	610,080	175,244	144,074	(62,692)	-360,184
Commissions and expense allowances on reinsurance ceded	2,838	3,763	8,296	34,862	29,024
Aggregate write-ins for miscellaneous income	0	0	62,178	0	0
Total Income	**$188,450,467**	**$178,776,622**	**$172,255,908**	**$183,363,534**	**$181,701,266**
Deductions:					
Death benefits	$ 48,557,536	$ 45,331,179	$ 36,964,574	$ 40,158,211	$ 36,210,903
Matured endowments	53,652	151,766	58,819	52,764	31,764
Annuity benefits	1,099,522	469,716	490,372	279,655	376,544
Disability benefits and benefits under accident and health contracts	1,204,314	1,107,229	733,855	839,757	1,039,977
Surrender benefits and withdrawals for life contracts	30,919,446	30,584,324	27,289,795	24,738,615	23,082,769
Interest and adjustments on contract or deposit-type contract funds	944,388	883,183	824,416	1,025,139	1,050,127
Payments on supplementary contracts with life contingencies	76,104	80,187	72,401	59,639	57,518
Increase in aggregate reserves for life and accident and health contracts	34,679,687	28,931,611	32,239,815	47,125,224	46,492,601
Totals	**$117,534,648**	**$107,539,196**	**$ 98,674,047**	**$114,279,004**	**$108,342,203**
Commissions on premiums, annuity considerations & deposit-type contract funds (direct business only)	10,413,839	10,839,797	11,218,262	11,075,815	11,738,660
General insurance expenses	23,638,772	24,396,445	30,671,539	29,034,508	24,811,542
Insurance taxes, licenses and fees, excluding federal income taxes	4,065,393	3,939,783	4,034,897	4,512,321	3,861,634
Increase in loading on deferred and uncollected premiums.	-37,495	5,820	-49,358	12,143	-2,756
Aggregate write-ins for deductions	71,553	53,474	28,936	16,401	62,937
Total deductions	**$155,686,711**	**$146,774,515**	**$ 144,578,323**	**$158,930,192**	**$148,814,220**
Net gain from operations before dividends to policyholders and FIT	$ 32,763,757	$ 32,002,108	$ 27,677,585	$ 24,433,343	$ 32,887,046
Dividend to policyholders	4,897,323	5,377,764	4,492,417	4,420,719	4,286,804
Net gain from operations after dividends to policyholders and before FIT	$ 27,866,434	$ 26,624,344	$ 23,185,168	$ 20,012,624	$ 28,600,242
Federal and foreign income taxes incurred	9,440,754	6,285,433	1,637,000	21,354,480	16,368,715
Net gain from operations after dividends to policyholders and FIT and before realized capital gains or (losses)	$ 18,425,680	$ 20,338,911	$ 21,548,168	$ -1,341,856	$ 12,231,527
Net realized capital gains or (losses) transferred to the IMR)	3,345,083	3,514,794	-3,236,720	-51,839,610	-1,899,977
Net income	**$ 21,770,762**	**$ 23,853,705**	**$ 18,311,448**	**$ -53,181,466**	**$ 10,331,550**

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF.

ALFA LIFE INSURANCE CORPORATION
CAPITAL AND SURPLUS ACCOUNT
For the Years Ended December 31, 2011, 2010, 2009, 2008, and 2007

	2011	2010	2009	2008	2007
Capital and surplus, December 31, prior year	$190,071,870	$182,987,845	$148,059,322	$210,814,413	$202,198,338
Gains and (losses) in surplus:					
Net income	$ 21,770,762	$ 23,853,705	$ 18,311,448	$-53,181,466	$ 10,331,550
Change in net unrealized capital gains or (losses)	-8,068,391	994,864	1,104,852	533,287	-4,887,504
Change in net deferred income tax	4,817,775	2,938,859	-20,738,117	16,952,996	7,145,899
Change in nonadmitted assets and related items	-2,363,515	4,605,270	37,525,135	-16,122,072	-5,432,334
Change in asset valuation reserve	1,799,367	-5,591,368	-1,274,796	9,062,164	1,802,462
Surplus adjustment- paid in				40,000,000	
Dividend to Stockholders	-20,000,000	-21,500,000		-60,000,000	-344,000
Aggregate write-ins for gains and losses in surplus	0	1,782,696	0	0	0
Net change in capital and surplus for the year	$ -2,044,003	$ 7,084,025	$ 34,928,523	$ -62,755,091	$ 8,616,072
Capital and surplus, December 31, current year	$188,027,868	$190,071,870	$182,987,845	$148,059,322	$210,814,413

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Aggregate reserve for life contracts **$ 985,101,506**

The captioned amount is the same as reported by the Company in its 2011 Annual Statement.

The Statement of Actuarial Opinion Based on an Asset Adequacy Analysis (AOM) filed by the Company during the period covered by the examination was reviewed for compliance with the Alabama laws and regulations. The examiners determined that the AOMs included a statement from the opining actuary; however, the information to be included in a tabulated format only included three columns entitled 1) Asset Adequacy Amounts Tested, 2) Other Amount and 3) Total Amount instead of the required five columns, which are 1) Formula Reserves, 2) Additional Actuarial Reserves, 3) Analysis Method, 4) Other Amount and 5) Total Amount. The Company was not in compliance with ALA. ADMIN. CODE 482-1-112-.06(2) (2004), which states:

> (b) The scope paragraph should include a statement such as the following: I have examined the actuarial assumptions and actuarial methods used in determining reserves and related actuarial items listed below, as shown in the annual statement of the company, as prepared for filing with state regulatory officials, as of December 31, 20[ ]. Tabulated below are those reserves and related actuarial items which have been subjected to asset adequacy analysis…

At the end of the tabulated information, the Company did not include the Interest Maintenance Reserve, the allocated amount of Asset Valuation Reserve and Net Deferred and Uncollected Premiums amounts as is required by the aforementioned regulation.

It was also determined that the opining actuary had an option to either review the underlying basic asset and liability records or obtain a certification from a Company officer on the accuracy of the records presented to him. When the opining actuary reviews the underlying basic asset and liability records, the certification should include the following language as is required by ALA. ADMIN. CODE 482-1-112-.06(2)(d) (2004), which states:

> My examination included such review of the actuarial assumptions and actuarial methods and of the underlying basic asset and liability records and such tests of the actuarial calculations as I considered necessary. I also reconciled the underlying basic asset and liability records to

> [exhibits and schedules listed as applicable] of the company's current annual statement.

The Company's AOMs, as filed by the Company, read as follows:

> My examination included such review of the actuarial assumptions and actuarial methods and such tests of the actuarial calculations as I considered necessary. In my opinion the amounts carried in the balance sheet on account of the actuarial items identified above…

Thus, the opining actuary did not include the language required by ALA. ADMIN. CODE 482-1-112-.06(2)(d) (2004).

When the opining actuary relies on the Company's officer to review the underlying basis assets, the actuary should include the following language in the certification as is required by ALA. ADMIN. CODE 482-1-112-.06(2)(c)1 and 2 (2004), which states:

> In forming my opinion on [specify types of reserves] I relied upon data prepared by [name and title of company officer certifying the in-force records or other data] as certified in the attached statements" and a certification from a company officer with the following language, "I, [name of officer], of [name of company], hereby affirm that the listings, summaries, and analyses relating to data prepared for and submitted to [name of appointed actuary] in support of the asset-oriented aspects of the opinion were prepared under my direction and, to the best of my knowledge and belief, are substantially accurate and complete and the same as, or derived from, the records and other data which form the basis of the annual statement.

These two certifications were not attached to the Company's AOMs as required, since the opining actuary did not examine the underlying in-force data or the underlying asset-oriented data.

Note 2 – Unassigned funds (surplus) **$ 108,469,691**

The captioned amount is the same as reported by the Company in its 2011 Annual Statement. No changes were made to the Company's financial statements in this report.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of contingent liabilities and pending litigation included a review of the Company's statutory financial statement disclosures, minutes of the Board of Directors meetings, and the Letter of Representation. There were no contingencies identified that would have a material impact on the Company's financial statements.

The external auditors' summary of pending litigation as of December 31, 2011 was reviewed. This review did not disclose any items that would have a material effect on the Company's financial position in the event of an adverse outcome.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was conducted during the current examination with regard to the Company's compliance with recommendations made in the previous examination report. This review indicated that the Company had satisfactorily complied with recommendations contained in the immediately preceding Report of Examination.

COMMENTS AND RECOMMENDATIONS

Compliance with Producers' Licensing Requirements – Page 18

It is recommended that the Company notify the Alabama Department of Insurance of the termination of its producers within thirty days in accordance with ALA CODE § 27-7-30 (e) (1975), which states:

> Subject to the producer's contract rights, if any, an insurer or authorized representative of the insurer may terminate a producer's appointment at any time. An insurer or authorized representative of the insurer that terminates the appointment, employment, or contract with a producer for any reason shall within 30 days following the effective date of the termination, using a format prescribed by the commissioner, give notice of the termination to the commissioner.

It is recommended that the Company send notification of termination to the producer's last known address within 15 days in accordance with ALA CODE § 27-7-30.1(1975) (a), 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. If the producer is terminated for cause for any of the reasons listed in Section 27-7-19, the insurer shall provide a copy of the notification to the producer at his or her last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.

Aggregate reserve for life contract – Page 30

It is recommended that the Company's Statement of Actuarial Opinion Based on an Asset Adequacy Analysis include 1) Formula Reserves, 2) Additional Actuarial Reserves, 3) Analysis Method, 4) Other Amount and 5) Total Amount in a tabulated format and also include the Interest Maintenance Reserve, the allocated amount of Asset Valuation Reserve and Net Deferred and Uncollected Premiums information as is required by ALA. ADMIN. CODE 482-1-112-.06(2) (2004), which states:

> (b) The scope paragraph should include a statement such as the following: I have examined the actuarial assumptions and actuarial methods used in determining reserves and related actuarial items listed below, as shown in the annual statement of the company, as prepared for filing with state regulatory officials, as of December 31, 20[ ]. Tabulated below are those reserves and related actuarial items which have been subjected to asset adequacy analysis…

It is recommended that the opining actuary, when choosing to review the underlying basic asset and liability records, provide a statement that complies with ALA. ADMIN. CODE 482-1-112-.06(2)(d) (2004), which states:

> My examination included such review of the actuarial assumptions and actuarial methods and of the underlying basic asset and liability records and such tests of the actuarial calculations as I considered necessary. I also reconciled the underlying basic asset and liability records to [exhibits and schedules listed as applicable] of the company's current annual statement.

It is recommended that the opining actuary, when choosing to rely on the Company's officer to review the underlying basic asset and liability, comply with ALA. ADMIN. CODE 482-1-112-.06(2)(c)1 and 2 (2004), which states:

> In forming my opinion on [specify types of reserves] I relied upon data prepared by [name and title of company officer certifying the in-force records or other data] as certified in the attached statements" and a certification from a company officer with the following language, "I,

[name of officer], of [name of company], hereby affirm that the listings, summaries, and analyses relating to data prepared for and submitted to [name of appointed actuary] in support of the asset-oriented aspects of the opinion were prepared under my direction and, to the best of my knowledge and belief, are substantially accurate and complete and the same as, or derived from, the records and other data which form the basis of the annual statement.

SUBSEQUENT EVENTS

Officer Retirements

A review of events subsequent to the December 31, 2011 examination date was done. It was noted that the following officers announced their retirements.

Jerry Allen Newby, President and Chief Executive Officer, announced his retirement, effective December 4, 2012. His replacement, James Louis Parnell, was elected at the Company's December 4, 2012 Board Meeting.

Clyde Lee Ellis, Executive Vice President – Operations, retired on February 1, 2012. Ralph Clayton Forsythe was elected as a director to fill the director position. Stephen Goddard Rutledge was elected as the Treasurer and appointed as the Executive Vice President and Chief Operating Officer of the Company.

John Jung, Chief Information Officer, announced his retirement at the July 19, 2012 Executive Committee meeting, effective October 31, 2012. Mr. Rutledge announced a national search would be conducted for Mr. Jung's successor at that same meeting. Mr. Jung extended his retirement date to March 31, 2013 so he could assist in training his replacement when hired.

Ralph Clayton Forsythe, Chief Financial Officer, retired effective December 31, 2012.

Debt Agreement

On August 2, 2012, Alfa Corporation (AC) terminated the Sixth Amended and Restated Credit Agreement and entered into a Credit Agreement with certain of its affiliates, Alfa General Insurance Corporation AGI), Alfa Financial Corporation (AFC), Alfa Life Insurance Corporation (ALI), Alfa Insurance Corporation (AIC), and Alfa Vision Insurance Corporation (AVI), in favor of Regions Bank, as Administrative Agent and a syndicate of lenders that provides for a four year revolving credit facility in the amount of $150,000,000. The Credit Agreement is guaranteed by the parent companies of the Company, Alfa Mutual Insurance

Company (AMI) and Alfa Fire Mutual Insurance Company (AMF). The interest rate is to be determined by adding the LIBO Rate plus a margin of 225 basis points. At September 30, 2012, interest on the Revolving Credit Facility accrued at the applicable LIBO Rate of .2213 plus the margin of 225 basis points or 2.47%. The Company and the other AC affiliates are jointly and severally liable for any and all obligations incurred pursuant to the agreement.

Borrowings under the Credit Agreement are to be used for general corporate purposes. As of September 30, 2012, AC has drawn down $150,000,000 on this Credit Agreement. The Credit Agreement remains in effect until August 1, 2016.

Also on August 2, 2012, the parties to the Credit Agreement entered into a Subrogation and Contribution Agreement. Under this Agreement, each party's Payment Obligation, as said term is defined in the Agreement, is limited to the amount of the loan, if any, that was received by and used by or for the benefit of that party.

CONCLUSION

Acknowledgement is hereby made of the courtesy and cooperation extended by all persons representing the Company during the course of the examination.

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

In addition to the undersigned, Rhonda Ball, CFE, Jerry Hyche, AIE, MCM, FLMI, Charles Turner, CISA, Palmer Nelson, CFE, Mary Packard CPA, CFE, Toni Bean, CFE, Mora Perkins, MCM and Theo Goodin, MCM, examiners and Harland Dyer, ASA, MAAA, Consulting Actuarial Examiner; all representing the Alabama Department of Insurance, participated in this examination.

Respectfully submitted,

Francis Blase Abreo

Blase Abreo, CFE
Examiner-in-Charge
Alabama Department of Insurance