ALFA CORP
Form 10-K
March 23, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

For Fiscal Year Ended December 31, 2000	Commission File Number 0-11773

ALFA CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	63-0838024
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
2108 East South Boulevard P. O Box 11000, Montgomery, Alabama	36191-0001
(Address of principal executive offices)	(Zip-Code)
Registrant's Telephone Number including Area Code	(334) 288-3900

Securities registered pursuant to Section 12 (b) of the Act:

None

Securities registered pursuant to Section 12 (g) of the Act:

Common Stock, par value $1.00 per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No_________

The aggregate market value of the voting stock held by nonaffiliates of the Registrant as of February 28, 2001, was $367,299,710.

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the close of the period covered by this report.

Class	Outstanding December 31, 2000

Common Stock, $1.00 par value 39,148,527 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Registrant's annual report to security holders for the fiscal year ended December 31, 2000, and proxy statement for the annual meeting of stockholders to be held April 26, 2001, are incorporated by reference into Part II and Part III.

Part I

Item 1. Business.

Alfa Corporation is a financial services holding company which operates predominantly in the insurance industry through its wholly-owned subsidiaries Alfa Life Insurance Corporation (Life), Alfa Insurance Corporation (AIC), Alfa General Insurance Corporation (AGIC), Alfa Agency Mississippi, Inc. and Alfa Agency Georgia, Inc. Other wholly-owned noninsurance subsidiaries include Alfa Financial Corporation (Financial), Alfa Investment Corporation, Alfa Builders, Inc. (Builders), Alfa Realty, Inc. (Realty) and Alfa Benefits Corporation (ABC), which are engaged in consumer financing, commercial leasing, real estate investments, residential and commercial construction, real estate sales and benefit services for the Alfa Group.

Alfa Corporation is affiliated with the Alfa Mutual Insurance Companies (the Mutual Group), which collectively own 51.8% of Alfa Corporation's common stock, their largest single investment. Alfa Corporation and its subsidiaries (the Company) together with the Mutual Group comprise the Alfa Group (Alfa). The Company's common stock is traded on the NASDAQ Stock Market's National Market under the symbol ALFA.

Alfa Corporation's insurance subsidiaries write life insurance in Alabama, Georgia and Mississippi and property and casualty insurance in Georgia and Mississippi. Its property and casualty business is pooled with that of the Alfa Mutual Insurance Companies which write property and casualty business in Alabama. Approximately 82.8% of the Company's property and casualty premium income and 72.6% of its total premium income for 2000 was derived from the Company's participation with the Mutual Group in a Pooling Agreement. Effective August 1, 1987, the Company entered into a property and casualty insurance Pooling Agreement (the "Pooling Agreement") with Alfa Mutual Insurance Company (Mutual), and other members of the Mutual Group. On January 1, 2001, Alfa Specialty Insurance Corporation (Specialty), a subsidiary of Mutual, will also become a participant in the Pooling Agreement. The Mutual Group is a direct writer primarily of personal lines of property and casualty insurance in Alabama. The Company's subsidiaries similarly are direct writers in Georgia and Mississippi. Both the Mutual Group and the Company write preferred risk automobile, homeowner, farmowner and mobile home insurance, fire and allied lines, standard risk automobile and homeowner insurance, and a limited amount of commercial insurance, including church and businessowner insurance. Specialty is a direct writer primarily of nonstandard risk automobile insurance. Under the terms of the Pooling Agreement, the Company cedes to Mutual all of its property and casualty business. Substantially all of the Mutual Group's direct property and casualty business (together with the property and casualty business ceded by the Company) is included in the pool. Mutual currently retrocedes 65% of the pool to the Company and retains 35% within the Mutual Group. Effective January 1, 2001, Specialty's property and casualty business will likewise be included in the pool. On October 1, 1996, the Pooling Agreement was amended in conjunction with the restructuring of the Alfa Insurance Group's catastrophe protection program. Effective November 1, 1996, the allocation of catastrophe costs among the members of the pool was changed to better reflect the economics of catastrophe finance. The amendment limited Alfa Corporation's participation in any single catastrophic event or series of disasters to its pool share (65%) of $10 million unless the loss exceeded $249 million on a 100% basis in which case the Company's share in the loss would be based upon its amount of surplus relative to the other members of the group. Due to increases in insured property risks, an amendment was made increasing Alfa Corporation's participation limits from its pool share of $10 million level to $11 million beginning July 1,1999. This limit has been amended effective January 1, 2001 to $11.4 million. During 2000, the Company's share of losses exceeding $249 million would have been 13%. These parameters have been amended to $284 million and 14% as of January 1, 2001.

The Boards of Directors of the Mutual Group and of the Company's property and casualty insurance subsidiaries have established the pool participation percentages and must approve any changes in such participation. The Alabama Insurance Department reviewed the Pooling Agreement and the Department determined that the implementation of the Pooling Agreement did not require the Department's approval.

A committee consisting of two members of the Boards of Directors of the Mutual Group, two members of the Board of Directors of the Company and Jerry A. Newby, as chairman of each such Board, has been established to review and approve any changes in the Pooling Agreement. The committee is responsible for matters involving actual or potential conflicts of interest between the Company and the Mutual Group and for attempting to ensure that, in operation, the Pooling Agreement is equitable to all parties. Conflicts in geographic markets are currently minimal because the Mutual Group writes property and casualty insurance only in Alabama and at present all of such insurance written by the Company is outside of Alabama. The Pooling Agreement is intended to reduce conflicts which could arise in the selection of risks to be insured by the participants by making the results of each participant's operations dependent on the results of all of the Pooled Business. Accordingly, the participants should have substantially identical underwriting ratios for the Pooled Business excluding catastrophes as long as the Pooling Agreement remains in effect. See "Property and Casualty Business" section regarding impact of catastrophes.

The participation of the Company in the Pooling Agreement may be changed or terminated without the consent or approval of the shareholders, and the Pooling Agreement may be terminated by any party thereto upon 90 days notice. Any such termination, or a change in the Company's allocated share of the Pooled Business, inclusion of riskier business or certain types of reinsurance assumed in the pool, or other changes to the Pooling Agreement, could have a material adverse impact on the Company's earnings. Participants' respective abilities to share in the Pooled Business are subject to regulatory capital requirements.

The Company reports operating segments based on the Company's legal entities, which are organized by line of business, with property and casualty insurance as one segment, life insurance as one segment, non-insurance business composed of consumer financing, commercial leasing, residential and commercial construction and real estate sales as one segment, and corporate operations as one segment. All investing activities are allocated to the segments based on the actual assets, investments and cash flows of each segment.

Segment profit or loss for the property and casualty operating segment is measured by underwriting profits and losses as well as by total net profit. Segment profit or loss for the life insurance segment, the noninsurance segment and the corporate segment is measured by total net profit. Segment expenses are borne by the segment which directly incurred such expense or are allocated based on the Management and Operating Agreement discussed in Note 3 of the Company's annual report to security holders for the year ended December 31, 2000 as included in Exhibit 13. Presented below is summarized financial information for the Company's four business segments as of and for the years ended December 31, 2000, 1999 and 1998:

	Years Ended December 31,		
	2000	1999	1998
	(in thousands, except share and per share data)		
Premiums and Other Revenues			
Property and Casualty insurance	$406,628	$388,495	$374,416
Life Insurance	99,128	88,883	82,859
Non-insurance Operations	9,163	7,917	6,012
Corporate	(4,266)	(2,752)	(1,804)
Premiums and Revenues before Eliminations	$510,653	$482,543	$461,483
Eliminations	(340)	(282)	(497)
Total Premiums and other Revenues	$510,313	$482,261	$460,986
Net Income			
Insurance Operations			
Property and Casualty insurance	$ 49,551	$ 49,492	$ 41,581
Life Insurance	17,977	11,597	15,645
Total Insurance Operations	$ 67,528	$ 61,089	$ 57,226
Non-insurance Operations	1,550	3,092	2,192
Net Realized Investment Gains	3,424	3,289	2,858
Corporate Expenses	(5,681)	(2,913)	(5,560)
Net Income	$ 66,821	$ 64,557	$ 56,716
Net Income Per Share			
Basic	$1.71	$1.61	$1.39
Diluted	$1.70	$1.60	$1.38
Weighted Average Shares Outstanding			
Basic	39,168,102	39,980,880	40,834,232
Diluted	39,407,152	40,235,690	41,148,258

Property and Casualty Business:

The Alfa Insurance Group's primary business is personal lines property and casualty insurance, which accounts for over 75% of total premiums and over 70% of total revenues. Automobile and homeowners insurance account for approximately 85% of property and casualty premiums. In Alabama, the Alfa Insurance Group enjoys a 20% share of the personal automobile and homeowners markets, second only to State Farm. The Company is a direct writer and distributes its products utilizing the employee/agent sales force of Mutual. The following table shows the Company's premium distribution by product in property and casualty insurance for 2000:

Automobile	64.8%
Homeowner	19.9%
Farmowner	5.4%
Commercial	4.7%
Manufactured Home	3.2%
Other	2.0%
	100.0%

The following table sets forth the components of property and casualty insurance earned premiums, net underwriting income (loss), GAAP basis loss, expense and combined ratios, underwriting margin, net investment income and operating income for the years ended December 31, 2000, 1999 and 1998:

	Years ended December 31,		
	2000	1999	1998
	(in thousands)		
Earned premiums			
Personal lines	$ 359,862	$341,248	$330,511
Commercial lines	13,589	13,044	12,354
Pools, associations and fees	4,012	3,908	4,036
Reinsurance ceded	(1,344)	(1,230)	(1,161)
Total	$376,119	$356,970	$345,740
Net underwriting income	$ 38,046	$ 41,040	$ 33,183
Loss ratio	61.2%	60.2%	62.8%
LAE ratio	4.7%	4.8%	5.0%
Expense ratio	24.0%	23.5%	22.6%
GAAP basis combined ratio	89.9%	88.5%	90.4%
Underwriting margin	10.1%	11.5%	9.6%
Net investment income	$ 29,645	$ 27,601	$ 25,992
Operating income before tax	$ 68,050	$ 70,064	$ 59,156
Operating income, net of tax	$ 49,551	$ 49,492	$ 41,581

The Company's strategy in property and casualty business has been to operate primarily in its niche, personal lines insurance, and to strive to be the low-cost producer, thereby attracting and underwriting to achieve a preferred, profitable book of business. The Company's objective is to operate with an underwriting profit. Historically, this objective has been met except for five years, which were primarily impacted by catastrophic weather. In the wake of Hurricanes Opal and Erin, Alfa initiated intense studies of its catastrophe management strategy. Effective November 1, 1996, Alfa restructured the catastrophe program and amended the intercompany pooling agreement to allocate catastrophe losses among the members of the pool in a fashion that more equitably reflects the realities of catastrophe finance. As a result, Alfa Corporation's share of the Alfa Group's storm-related losses has been substantially reduced, thus providing much greater earnings stability and growth potential. The lower exposure also means a substantial reduction in reinsurance costs. Alfa Group pooled catastrophe losses for 2000 and 1998 totaled approximately $26 million and $45 million, respectively. The Company's share of such losses totaled $7.2 million and $6.5 million in 2000 and 1998, respectively. No catastrophe losses were incurred in 1999.

The Company's business is concentrated geographically in Alabama, Georgia and Mississippi. Accordingly, unusually severe storms or other disasters in these contiguous states might have a more significant effect on the Company than on a more geographically diversified insurance company. Unusually severe storms, other natural disasters and other events could have an adverse impact on the Company's financial condition and operating results. However, the Company believes that its current catastrophe protection program, which began November 1, 1996, will reduce the earnings volatility caused by such catastrophe exposures.

Life Insurance:

Life directly writes individual life insurance policies consisting primarily of ordinary whole life, term life, interest sensitive whole life and universal life products in Alabama, Georgia and Mississippi and distributes these products utilizing the same employee/agent sales force used in the property and casualty business. In the highly fragmented life insurance market in Alabama, Alfa ranks second in market share.

Life offers several different types of whole life and term insurance products. As of December 31, 2000, Life had in excess of $13.6 billion of life insurance in force. As of December 31, for each year indicated the Company had insurance in force as follows:

	2000	1999	1998
	(in thousands)		
Ordinary Life	$ 13,557,381	$ 11,970,328	$ 10,955,347
Credit Life	$ 8,217	$ 6,853	$ 6,990
Group Life	$ 38,835	$ 38,354	$ 37,712

The following table sets forth life insurance premiums and policy charges, by type of policy, net investment income, benefits and expenses and life insurance operating income for the years ended December 31, 2000, 1999, and 1998:

	Years Ended December 31,		
	2000	1999	1998
	(in thousands)		
Premiums and Policy Charges			
Universal life policy charges	$15,014	$13,607	$12,381
Universal life policy charges- COLI	2,488	2,234	2,133
Interest sensitive life policy charges	10,509	9,518	9,727
Traditional life insurance premiums	24,743	22,678	21,494
Group life insurance premium	324	323	364
Total	$53,078	$48,360	$46,099
Net investment income	$41,958	$37,873	$34,890
Benefits and expenses	$62,966	$64,286	$52,980
Operating income before tax	$24,841	$15,200	$21,988
Operating income, net of tax	$17,977	$11,597	$15,645

A discussion of the Company's operating results shown above is included on page 5 of Exhibit 13 representing page 14 of the Company's annual report to security holders for the year ended December 31, 2000.

Life generally reinsures all life insurance risks in excess of $350,000 on any one life for the purpose of limiting the liability of Life with respect to any one risk and providing greater diversification of its exposure. When Life reinsures a portion of its risk it must cede the premium income to the reinsurer who reinsures the risk, thereby decreasing the income of Life.

Life performs various underwriting procedures and blood testing for AIDS and other diseases before issuance of insurance.

Investments:

The Company's income is directly affected by its investment income or loss from its investment portfolio. The capital and reserves of the Company are invested in assets comprising its investment portfolio. The insurance laws prescribe the nature and quality of investments that may be made, and included in its investment portfolio. Such investments include qualified state, municipal and federal obligations, high quality corporate bonds and stocks, mortgage backed securities, mortgages and certain other assets.

The Company's investment philosophy is long-term and value oriented with focus on total return for both yield and growth potential. During the past ten years, invested assets have grown from $437.7 million to over $1.3 billion at the end of 2000, a compound annual growth rate of 12.7%. During that same period investment income has more than doubled, growing from $32.2 million to over

$72.8 million. At year-end, the value of unrealized gains in Alfa's portfolio was $45.4 million, net of tax. The portfolio was invested 69.9% in fixed income securities, 8.5% in equities, 4.1% in short-term marketable securities and 17.5% in other investments, which include consumer loans, commercial leases, partnerships and less than 0.1% in real estate and mortgage loans.

The rating of the Company's portfolio of fixed maturities using the Standard & Poor's rating categories is as follows at December 31, 2000 and 1999:

	December 31, 2000	December 31, 1999
AAA to A-	90.6%	89.8%
BBB+ to BBB-	8.3%	9.2%
BB+ and below (below investment grade)	1.1%	1.0%
	100.0%	100.0%

For more information about the Company's investments, see the investment section of Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 15 through 18 of the Company's annual report to security holders for the fiscal year ended December 31, 2000, which is incorporated herein by reference in Item 7.

Reserves

The Company's property and casualty insurance subsidiaries are required to maintain reserves to cover their estimated ultimate liability for losses and loss adjustment expenses with respect to reported and unreported claims incurred. The Company's life insurance subsidiary is required to maintain reserves for future policy benefits. To the extent that reserves prove to be inadequate in the future, the Company would have to increase such reserves and incur a charge to earnings in the period such reserves are increased which could have a material adverse effect on the Company's results of operations and financial condition. The establishment of appropriate reserves is an inherently uncertain process and there can be no assurance that ultimate losses will not materially exceed the Company's loss reserves. Reserves are estimates involving actuarial and statistical projections at a given time of what the Company expects to be the cost of the ultimate settlement and administration of claims based on facts and circumstances then known, estimates of future trends in claims severity and other variable factors.

Property and Casualty Reserves: With respect to reported claims, reserves are established on a case-by-case basis. The reserve amounts on each reported claim are determined by taking into account the circumstances surrounding each claim and policy provision relating to the type of loss. Loss reserves are reviewed on a regular basis and, as new data becomes available, appropriate adjustments are made to reserves.

For incurred but not reported ("IBNR") losses, a variety of methods have been developed in the insurance industry for determining estimates of loss reserves. One common method of actuarial evaluation, which is used by the Company, is the loss development method. This method uses the pattern by which losses have been reported over time and assumes that each accident year's experience will develop in the same pattern as the historical loss development.

Reserves are computed by the Company based upon actuarial principles and procedures applicable to the lines of business written by the Company. These reserve calculations are reviewed regularly by management and as required by state law, the Company periodically engages an independent actuary to render an opinion as to the adequacy of statutory reserves established by management, whose opinions are filed with the various jurisdictions in which the Company is licensed. Based upon practice and procedures employed by the Company, without regard to independent actuarial opinions, management believes that the Company's reserves are adequate.

I-7

Life Reserves: The life insurance policy reserves reflected in the Company's financial statements as future policy benefits are calculated based on generally accepted accounting principles. These reserves, with the addition of premiums to be received and the interest thereon compounded annually at assumed rates, must be sufficient to cover policy and contract obligations as they mature. Generally, the mortality and persistency assumptions used in the calculation of reserves are based on company experience. A list of the assumptions used in the calculation of Life's reserves are reported in the financial statements (See Note 6 - Future Policy Benefits, Losses and Loss Adjustment Expenses in the Notes to Consolidated Financial Statements on page 33 of the Company's annual report to security holders for the year ended December 31, 2000, incorporated herein by reference).

Activity in the liability for unpaid losses and loss adjustment expenses, prepared in accordance with generally accepted accounting principles, is summarized as follows:

	2000		1999	
	Property and Casualty	Life	Property and Casualty	Life
Balance at January 1,	$143,148,690	$ 3,290,410	$138,030,306	$ 2,812,704
Less Reinsurance recoverables on unpaid losses	(1,828,994)	(295,000)	(759,568)	(353,195)
Net balance at January 1,	141,319,696	2,995,410	137,270,738	2,459,509
Incurred related to:				
Current year	266,087,327	16,022,555	249,992,384	14,512,337
Prior years	(18,427,579)	65,933	(17,849,537)	(298,357)
Total incurred	247,659,748	16,088,488	232,142,847	14,213,980
Paid related to:				
Current year	188,870,000	13,916,158	169,943,000	12,957,553
Prior years	56,713,478	1,724,568	58,150,889	720,526
Total paid	245,583,478	15,640,726	228,093,889	13,678,079
Net balance at December 31,	143,395,966	3,443,172	141,319,696	2,995,410
Plus reinsurance				

recoverables on unpaid losses	1,681,098	1,451,651	1,828,994	295,000
Balance at December 31,	$145,077,064	$ 4,894,823	$143,148,690	$ 3,290,410

The liability for estimated unpaid losses and loss adjustment expenses is based on a detail evaluation of reported losses and of estimates of incurred but not reported losses. Adjustments to the liability based on subsequent developments are included in current operations. Because the Company is primarily an insurer of private passenger motor vehicles and of single family homes, it has limited exposure for environmental, product and general liability claims. The Company does not believe that any such claims will have a material impact on the Company's liquidity, results of operations, cash flows or financial condition.

Other Business

The Company operates seven other subsidiaries which are not considered to be significant by SEC Regulations for purposes of separate disclosure. These subsidiaries are Alfa Financial Corporation (Financial), a lending institution, Alfa Investment Corporation, a real estate investment business and its wholly owned subsidiary, Alfa Builders, Inc., a construction company, Alfa Realty, Inc., a real estate sales agency, Alfa Agency Georgia, Inc., Alfa Agency Mississippi, Inc. and Alfa Benefits Corporation, a provider of benefit services for the Alfa Group.

Financial is an institution engaged principally in making consumer loans and originating commercial leases. These loans are available through substantially all agency offices of the Company. These loans and leases are collateralized by automobiles and other property. At December 31, 2000, the delinquency ratio on the loan portfolio was 1.81%, or $1.2 million. Loans charged off in 2000 totaled $399,949 or 0.9% of the average outstanding loan portfolio. At December 31, 2000, the Company maintained an allowance for loan losses of $678,730 or approximately 1.1% of the outstanding loan balance. During 2000, the commercial lease portfolio of OFC Capital was purchased at a cost of approximately $23.1 million. At December 31, 2000, the delinquency ratio on the lease portfolio was 4.68%, or $2.1 million. Leases charged off in 2000 were $35,281 or 0.1% of the average outstanding lease portfolio since its purchase at the end of the first quarter of 2000. At December 31, 2000, the Company maintained an allowance for lease losses of $554,498 or approximately 1.5% of the outstanding lease balance.

Alfa Investment Corporation is a Florida corporation engaged in the real estate investment business. Alfa Builders, Inc. is engaged in the construction business in Alabama and is also engaged in real estate investments.

Alfa Realty, Inc., is engaged in the business of listing and selling real estate in the Montgomery, Autauga and Elmore County, Alabama, areas.

Alfa Agency Georgia, Inc. and Alfa Agency Mississippi, Inc. place substandard insurance risks with third party insurers for a commission.

Alfa Benefits Corporation serves as a record keeper by handling employee benefits for the Alfa Group.

Relationship with Mutual Group

The Company's business and operations are substantially integrated with and dependent upon the management, personnel and facilities of Mutual. Under a Management and Operating Agreement with Mutual, all management personnel are provided by Mutual and the Company reimburses Mutual for field office expenses and operations services rendered by Mutual in the areas of advertising, sales administration, underwriting, legal, sales, claims, management, accounting, securities and investment and other services rendered by Mutual to the Company.

Mutual periodically conducts time usage and related expense allocation studies. Mutual charges the Company for its allocable and directly attributable salaries and other expenses, including office facilities in Montgomery, Alabama.

I-9

The Board of Directors of the Company consisted at year end of eleven members, six of whom serve on the Executive Committee of the Boards of the Mutual Group and two of whom are Executive Officers of the Company.

At December 31, 2000, Mutual owns 16,144,638 shares, or 41.24%, Alfa Mutual Fire Insurance Company owned 4,037,986 shares, or 10.31%, and Alfa Mutual General Insurance Company owned 87,000 shares, or 0.22%, of the Company's outstanding common stock.

Competition

Both the life and property and casualty insurance businesses are highly competitive. There are numerous insurance companies in the Company's area of operation and throughout the United States. Many of the companies which are in direct competition with the Company have been in business for a much longer period of time, have a larger volume of business, offer a more diversified line of insurance coverage, and have greater financial resources than the Company. In its life and property and casualty insurance businesses, the Company competes with other insurers in the sale of insurance products to consumers and the recruitment and retention of qualified agents. The Company believes that the main competitive factors in its business are price, name recognition and service. The Company believes that it competes effectively in these areas in Alabama. In Georgia and Mississippi, however, the Company's name is not as well recognized, but such recognition is improving.

Financial Ratings:

The Company's property and casualty subsidiaries have the highest A.M. Best rating of A++ and life has an A+ rating. The Company's commercial paper program is rated A-1+ by Standard and Poor's and P-1 by Moody's, both the highest ratings for commercial paper.

Regulation:

The Mutual Group and the Company's insurance subsidiaries are subject to the Alabama Insurance Holding Company Systems Regulatory Act and are subject to reporting to the Alabama Insurance Department and to periodic examination of their transactions and regulation under the Act with Mutual being considered the controlling party.

Additionally, the Company's insurance subsidiaries are subject to licensing and supervision by the governmental agencies in the jurisdictions in which they do business. The nature and extent of such regulation varies, but generally has its source in State Statutes which delegate regulatory, supervisory and administrative powers to State Insurance Commissioners. Such regulation, supervision and administration relate, among other things, to standards of solvency which must be met and maintained, licensing of the companies, periodic examination of the affairs and financial condition of the Company, annual and other reports required to be filed on the financial condition and operation of the Company. Rates of property and casualty insurance are subject to regulation and approval of regulatory authorities. Life insurance rates are generally not subject to prior regulatory approval.

Restrictions on Dividends to Stockholders: The Company's insurance subsidiaries are subject to various state statutory and regulatory restrictions, generally applicable to each insurance company in its state of incorporation, which limit the amount of dividends or distributions by an insurance company to its stockholders. The restrictions are generally based on certain levels of surplus, investment income and operating income, as determined under statutory accounting practices. Alabama law permits dividends in any year which, together with other dividends or distributions made within the preceding 12 months that do not exceed the greater of (i) 10% of statutory surplus as of the end of the preceding year or (ii) for property and casualty companies - the net income for the preceding year, or for life companies - the net gain from operations. Larger dividends are payable only after receipt of regulatory approval. Future dividends from the Company's subsidiaries may be limited by business and regulatory considerations. However, based upon restrictions presently in effect, the maximum amount available for payment of dividends to the Company by its insurance subsidiaries in 2001 without prior approval of regulatory authorities is approximately $59.0 million based on December 31, 2000 financial condition and results of operations.

Risk-Based Capital Requirements: The NAIC adopted risk-based capital requirements that require insurance companies to calculate and report information under a risk-based formula which attempts to measure statutory capital and surplus needs based on the risks in a company's mix of products and investment portfolio. The formula is designed to allow state insurance regulators to identify potential weakly capitalized companies. Under the formula, a company determines "risk-based capital" ("RBC") by taking into account certain risks related to the insurer's assets (including risks related to its investment portfolio and ceded reinsurance) and the insurer's liabilities (including underwriting risks related to the nature and experience of its insurance business). Risk-based capital rules provide for different levels of regulatory attention depending on the ratio of a company's total adjusted capital to its "authorized control level" ("ACL") of RBC. Based on calculations made by the Company, the risk-based capital levels for each of the Company's insurance subsidiaries significantly exceed that which would require regulatory attention.

Personnel:

The Company has no management or operational employees. The Company and its subsidiaries have a Management and Operating Agreement with Mutual whereby it reimburses Mutual for salaries and expenses of employees provided to the Company under the Agreement. Involved are employees in the areas of Life Underwriting, Life Processing, Accounting, Sales, Administration, Legal, Files, Data Processing, Programming, Research, Policy Issuing, Claims, Investments and Management. At December 31, 2000, the Company was represented by 457 agents in Alabama who are employees of Mutual. The Company's property and casualty subsidiaries had 119 independent exclusive agents in Georgia and Mississippi at

December 31, 2000.

Item 2. Properties.

(a) Physical Properties of the Company and Its Subsidiaries. The Company leases it home office facilities in Montgomery, Alabama, from Mutual.

The Company and its subsidiaries own several investment properties, none of which are material.

Item 3. Legal Proceedings.

Certain legal proceedings are in process at December 31, 2000. Costs for these and similar legal proceedings, including accruals for outstanding cases, totaled $3.0 million in 2000, $6.5 million in 1999 and $5.2 million in 1998. These proceedings involve alleged breaches of contract, torts, including bad faith and fraud claims, and miscellaneous other causes of action. These lawsuits involve claims for mental anguish and punitive damages. Approximately 20 legal proceedings against Alfa Life Insurance Corporation are in process at December 31, 2000. Of the 20 proceedings, six were filed in 2000, 10 were filed 1999, one was filed in 1998, two were filed in 1997, and one was filed in 1996. In a case tried in January 2001, in Barbour County, Alabama, the jury returned a verdict for the plaintiff against Life for $500,000 in compensatory damages and $5,000,000 in punitive damages. Life has filed post-trial motions requesting that the trial court reverse the jury verdict and render a verdict for Life or, in the alternative, grant Life a new trial or substantially reduce the verdict. These motions are pending. If the trial court denies the motions, Life will appeal the verdict. Three of the 20 pending legal proceedings against Life were filed as purported class actions. At present, only one class action has been certified against Life. The trial court order certifying that class action has been appealed to the Alabama Supreme Court. In addition, one purported class action lawsuit is pending against both Alfa Builders, Inc. and Alfa Mutual Fire Insurance Company. Additionally, five purported class action lawsuits are pending against the property and casualty mutual companies involving a number of issues and allegations, which could affect the Company because of a pooling agreement between the companies. No class has been certified in any of these six purported class action cases. It should be noted that in Alabama, where the Company has substantial business, the likelihood of a judgement in any given suit, including a large mental anguish and/or punitive damage award by a jury, bearing little or no relation to actual damages, continues to exist, creating the potential for unpredictable material adverse financial results.

Item 4. Submission of Matters to Vote of Security Holders. Not applicable.

Executive Officers of the Company:

Pursuant to General Instruction G(3) of Form 10-K, the following is included as an unnumbered item in part I of this report in lieu of being included in the proxy statement for the annual meeting of stockholders to be held April 26, 2001.

The following is a list of name and ages of all of the executive officers of the Company indicating all positions and offices with the Company held by such person and each such person's principal occupation or employment during the past five years. No person other than those listed below has been chosen to become an executive officer of the Company.

Name	Age	Position	Since
Jerry A. Newby	53	Chairman of the Board and President President of its Subsidiaries and associated companies; President Alabama Farmers Federation, and farmer.	1998
C. Lee Ellis	49	Executive Vice President, Operations and Treasurer of Alfa Corporation and its subsidiaries since 1999 Prior to 1999, Executive Vice President, Investments.	1999
Charles W. Hawkins	63	Executive Vice President, Marketing Prior to 2000, Senior Vice President, Marketing North Alabama	2000
Stephen G. Rutledge	42	Senior Vice President, CFO and Chief Investment Officer Prior to 2000, Senior Vice President, Investments Prior to 1999, Vice President, Investments	2000
Marcia Martin	63	Senior Vice President, Human Resources Retired December 31, 2000	1976
Al Scott	45	Senior Vice President, Secretary and General Counsel Prior to 1997, Assistant General Counsel	1997
John Holley	45	Vice President, Finance and Assistant Chief Financial Officer Prior to 2000, Vice President, Finance, Director of Financial Relations	2000
Terry McCollum	64	Senior Vice President, Claims	1979

Name	Age	Position	Since
Bill Harper, Jr.	56	Senior Vice President, Life Operations of Alfa Life Insurance Corporation, Vice President of Alfa Financial Corporation since 1978.	1986
Wyman Cabaniss	49	Senior Vice President, Underwriting Prior to 1998, Vice President, Underwriting	1998

John Jung	54	Senior Vice President, Chief Information Officer since October 1999. From 1997 to October 1999, Senior Vice President and Chief Information Office of California Casualty; prior to that time, Vice President of Chubb Group.	1999
James R. Azar	64	Senior Vice President, Planning	1979

Part II

Item 5. Market for the Company's Common Stock and Related Security Holder Matters.

The "Stockholder Information" section on page 36 of Exhibit 13 representing the Inside Back Cover of the Company's annual report to security holders for the fiscal year ended December 31, 2000, is incorporated herein by reference.

Item 6. Selected Financial Data.

The "Selected Financial Data" section on pages 1 and 2 of Exhibit 13 representing pages 6 and 7 of the Company's annual report to security holders for the year ended December 31, 2000, is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The "Management's Discussion and Analysis" section on pages 3 through 11 of Exhibit 13 representing pages 12 through 20 of the Company's annual report to security holders for the fiscal year ended December 31, 2000, is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

The "Quantitative and Qualitative Disclosures about Market Risk" section on pages 7 through 9 of Exhibit 13 representing pages 16 through 18 of the Company's annual report to security holders for the fiscal year ended December 31, 2000, is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The Financial Statements on pages 12 through 35 of Exhibit 13 representing pages 21 through 44 of the Company's annual report to security holders for the fiscal year ended December 31, 2000, are incorporated herein by reference.

Item 9. Disagreements on Accounting and Financial Disclosure.

None.

Part III

Item 10. Directors and Executive Officers of the Company.

For information with respect to the Executive Officers of the Company see Executive Officers of the Company at the end of Part I of this Report. For information with respect to the Directors of the Company, see Election of Directors on Page 2 of the Proxy statement for the annual meeting of stockholders to be held April 26, 2001 which is incorporated herein by reference.

Item 11. Executive Compensation.

The information set forth under the caption "Executive Compensation" on Page 5 of the Proxy Statement for the annual meeting of stockholders to be held April 26, 2001, except for the report of the Compensation Committee and Performance Graph, is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information appearing on Pages 2 through 4 of the Proxy Statement for the annual meeting of stockholders to be held April 26, 2001, relating to the security ownership of certain beneficial owners and management is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The information set forth under the caption "Executive Compensation" on Page 5 of the Proxy Statement for the annual meeting of stockholders to be held April 26, 2001, is incorporated herein by reference.

Part IV

Item 14. Exhibits, Financial Statement Schedules, Reports on Form 8-K.

(a) The following documents are filed as part of this report:
1. Financial Statements. (incorporated by reference from pages 12 through 35 of Exhibit 13 representing pages 21 through 44 of the Company's annual report to security holders for the year ended December 31, 2000)

Report of Independent Auditors.

Consolidated Balance Sheets as of December 31, 2000 and 1999.

Consolidated Statements of Income for the years ended December 31, 2000, 1999 and 1998.

Consolidated Statements of Comprehensive Income for the years ended December 31, 2000, 1999 and 1998.

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2000, 1999 and 1998.

Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998.

Notes to Consolidated Financial Statements.

Selected Quarterly Financial Data.

2. Financial Statement Schedules.

Included in Part IV of this report

Schedules other than those listed above have been omitted because the required information is contained in the financial statements and notes thereto, or because such schedules are not required or applicable.

3. Exhibits.

Exhibit (3) - Articles of Incorporation and By-Laws of the Company are incorporated by reference from the Company's 10-K for the year ended December 31, 1987.

Exhibit (10(a)) Amendment No. 2 to Management and Operating Agreement effective January 1, 1992 is incorporated by reference from the Company's 10-K for the year ended December 31, 1992.

(10(b)) Insurance Pooling Agreement is incorporated by reference from the Company's 10-K for the year ended year ended December 31, 1987.

Exhibit (11) Statement of Computation of Per Share Earnings

Exhibit (13) The Company's Annual Report to Security Holders for the fiscal year ended December 31, 2000. Such report, except for the portions incorporated herein by reference, is furnished to the Commission for information only and is not deemed filed as part of this report.

Exhibit (19) Employee Stock Purchase Plan and 1993 Stock Incentive Plan are incorporated by reference from the Company's 10-K for the year ended December 31, 1993.

Exhibit (23) Consent of Independent Accountants

(b) Reports on Form 8-K.

None

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT SCHEDULES

The Board of Directors
Alfa Corporation:

We have audited and reported separately on the financial statements of Alfa Corporation as of December 31, 2000 and 1999, and for each of the years in the three-year period ended December 31, 2000. Our report and the financial statements of Alfa Corporation are incorporated by reference in the Form 10-K.

Our audits were made for the purpose of forming an opinion on the basic financial statements of Alfa Corporation taken as a whole. The supplementary information included in financial statement Schedules I through V is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

Birmingham, Alabama
February 6, 2001

ALFA CORPORATION AND SUBSIDIARIES
SCHEDULE I - SUMMARY OF INVESTMENTS - OTHER THAN
INVESTMENTS IN RELATED PARTIES
December 31, 2000

Type Of Investment	Cost Or Amortized Cost	Fair Value
Fixed maturities:		
Bonds:		
United States Government and government agencies	$ 46,599,825	$ 52,256,
States, municipalities and political subdivisions	234,979,295	241,755,
Public utilities	18,358,727	18,251,
All other corporate bonds	292,835,518	287,360,
Mortgage-backed securities	342,212,078	344,032,
Redeemable preferred stocks	3,500,000	3,316,
Total fixed maturities	938,485,443	946,972,
Equity securities:		
Common stocks:		
Public utilities	7,145,372	12,361,
Banks, trusts and insurance companies	6,213,469	21,498,
Industrial, miscellaneous and all other	35,081,120	75,362,
Nonredeemable preferred stocks	5,247,982	5,372,
Total equity securities	53,687,943	114,594,
Mortgage loans on real estate	214,394	214,
Real estate	2,045,171	2,045,
Policy loans	46,335,399	46,335,
Collateral loans	70,022,985	71,655,
Other long-term investments	118,945,159	118,945,
Short-term investments	55,933,710	55,933,
Total investments	$ 1,285,670,204	$ 1,356,696,

See accompanying independent auditors' report

ALFA CORPORATION (PARENT COMPANY)
SCHEDULE II - CONDENSED FINANCIAL INFORMATION
BALANCE SHEETS
December 31, 2000 and 1999

s

	20
ASSETS	
Cash	$ 485,7
Short-term investments	485,6
Investment in subsidiaries*	532,760,4
Note receivable from subsidiaries*	65,751,5
Accounts receivable and other assets	378,8
Total assets	$599,862,2
LIABILITIES AND STOCKHOLDERS' EQUITY	
Liabilities:	
Commercial paper	$117,642,5
Notes payable	4,600,0
Other liabilities	4,057,4
Total liabilities	126,300,0
Stockholders' Equity:	
Common stock, $1 par value, shares authorized - 110,000,000; issued - 41,891,512 outstanding - 2000 -39,156,527; 1999 - 39,550,294	41,891,5
Capital in excess of par value	24,076,3
Accumulated other comprehensive income	45,444,1
Retained earnings	398,705,6
Treasury stock, at cost (shares, 2000 - 2,734,985; 1999 - 2,341,218)	(36,555,4
Total stockholders' equity	473,562,2
Total liabilities and stockholders' equity	$599,862,2

*Eliminates in consolidation

See accompanying independent auditors' report

ALFA CORPORATION (PARENT COMPANY)
SCHEDULE II - CONDENSED FINANCIAL INFORMATION

STATEMENTS OF INCOME
For the years ended December 31, 2000, 1999 and 1998

	2000	1999
Revenues:		
Dividends from subsidiaries*	$37,951,000	$21,700,
Interest from subsidiaries*	3,751,340	1,822,
Other interest	59,816	32,
Total revenues	41,762,156	23,555,
Expenses:		
Other expenses	9,389,824	4,666,
Income before equity in undistributed income of subsidiaries	32,372,332	18,888,
Equity in undistributed income of subsidiaries	34,448,531	45,668,
Net income	$66,820,863	$64,557,

*Eliminates in consolidation

See accompanying independent auditors' report

ALFA CORPORATION (PARENT COMPANY)
SCHEDULE II - CONDENSED FINANCIAL INFORMATION
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2000, 1999 and 1998

	2000	19
Cash flows from operating activities:		
Net income	$ 66,820,863	$ 64,5
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed earnings of subsidiaries	(34,448,531)	(45,6
(Increase) decrease in other assets and accounts receivable	(156,398)	(

Increase (decrease) in other liabilities	250,465	(9
Net cash provided by operating activities	32,466,399	17,9
Cash flows from investing activities:		
(Increase) decrease in note receivable for subsidiaries	(31,705,000)	(3,9
Net (increase) decrease in short-term investments	(447,667)	8
(Increase) in investment in subsidiaries	(1,000)	(5,4
Other	(48,776)	(1
Net cash (used in) provided by investing activities	(32,202,443)	(8,6
Cash flows from financing activities:		
Increase (decrease) in commercial paper	27,353,362	33,0
Purchase of treasury stock	(8,870,081)	(24,1
Proceeds from exercise of stock options	1,637,667	6
Dividends to stockholders	(20,038,691)	(18,9
Net cash provided by (used in) financing activities	82,257	(9,4
Net increase (decrease) in cash	346,213	(1
Cash, beginning of year	139,577	3
Cash, end of year	$ 485,790	$ 1
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 8,113,973	$ 3,6
Income taxes	$ 14,869,000	$ 23,5

See accompanying independent auditors' report

IV-7

ALFA CORPORATION
SCHEDULE III - SUPPLEMENTAL INSURANCE INFORMATION
For the years ended December 31, 2000, 1999 and 1998

Segment	Deferred Policy Acquisition Costs	Future Policy Benefits, Losses, Claims And Loss Expenses	Unearned Premium	Other Policy Claims And Benefits Payable	Premiums And Policy Charges
2000					

Life Insurance	$ 123,107,799	$ 507,655,793	$ 0	$ 0	$ 53,078,123
Property & casualty insurance	21,464,215	145,077,064	121,688,810	0	376,118,774
Noninsurance and corporate	0	0	0	0	0
Total	$ 144,572,014	$ 652,732,857	$ 121,688,810	$ 0	$ 429,196,897
1999					
Life Insurance	$ 117,549,248	$ 458,830,168	$ 0	$ 0	$ 48,359,640
Property & casualty insurance	18,557,440	143,148,690	114,802,464	0	356,970,311
Noninsurance and corporate	0	0	0	0	0
Total	$ 136,016,688	$ 601,978,858	$ 114,802,464	$ 0	$ 405,329,951
1998					
Life Insurance	$ 97,616,878	$ 410,398,102	$ 0	$ 0	$ 46,098,666
Property & casualty insurance	16,524,992	138,030,306	105,464,480	0	345,739,616
Noninsurance and corporate	0	0	0	0	0
Total	$ 114,141,870	$ 548,428,408	$ 105,464,480	$ 0	$ 391,838,282

Segment	Amortization Of Deferred Policy Acquisition Costs	Other Operating Expenses	Premiums Written
2000			
Life Insurance	$ 7,228,558	$ 11,219,955	$ 0
Property & casualty insurance	58,745,118	31,432,839	380,362,518
Noninsurance and corporate	0	7,602,448	0
Total	$ 65,973,676	$ 50,255,242	$ 380,362,518
1999			
Life Insurance	$ 6,747,130	$ 9,949,006	$ 0
Property &			

casualty insurance	53,455,392	30,443,472	363,585,872
Noninsurance and corporate	0	4,679,431	0
Total	$ 60,202,522	$ 45,071,909	$ 363,585,872
1998			
Life Insurance	$ 6,021,001	$ 9,114,135	$ 0
Property & casualty insurance	51,800,042	25,960,651	350,684,046
Noninsurance and corporate	0	3,688,097	0
Total	$ 57,821,043	$ 38,762,883	$ 350,684,046

See accompanying independent auditors' report

IV-8

ALFA CORPORATION AND SUBSIDIARIES
SCHEDULE IV - REINSURANCE
For years ended December 31, 2000, 1999 and 1998

	Gross Amount	Ceded to Other Companies	Amount Assumed from Other Companies
2000			
Life insurance in force	$15,317,803,867	$1,713,371,323	$ 0
Premiums and policy charges:			
Life insurance	$ 56,916,973	$ 3,909,913	$ 0
Accident and health insurance	71,063	0	0
Property and liability insurance	65,034,104	65,172,392*	376,257,062*
	$ 122,022,140	$ 69,082,305	$376,257,062
1999			
Life insurance in force	$13,384,834,865	$1,369,300,363	$ 0
Premiums and policy charges:			
Life insurance	$ 51,942,189	$ 3,657,594	$ 0
Accident and health insurance	75,045	0	
Property and liability insurance	60,196,005	60,302,447*	357,076,753*

	$ 112,213,239	$ 63,960,041	$357,076,753
1998			
Life insurance in force	$12,296,742,073	$1,296,693,235	$ 0
Premiums and policy charges:			
Life Insurance	$ 49,413,822	$ 3,389,040	$ 0
Accident and health insurance	73,884	0	0
Property and liability insurance	57,290,195	57,380,699*	345,830,120*
	$ 106,777,901	$ 60,769,739	$345,830,120

*These amounts are subject to the pooling agreement.
See accompanying independent auditors' report

IV-9

ALFA CORPORATION AND SUBSIDIARIES
SCHEDULE V - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

Description	Balance at beginning of period	Additions: Charged to costs and expenses	Additions: Charged to other accounts
2000 Allowance for Loan losses	$637,965	$634,531	$0
1999 Allowance for Loan losses	$584,178	$789,753	$0
2000 Allowance for Lease losses	$ 0	$589,779	$0
1999 Allowance for Lease losses	$ 0	$ 0	$0

See accompanying independent auditors' report

IV-10

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities

Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALFA CORPORATION

By /s/

Jerry A. Newby
President

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ (Jerry A. Newby)	Chairman of the Board Director and Principal Executive Officer	3/23/01 (Date)
/s/ (C. Lee Ellis)	Executive Vice President, Operations Treasurer, Director (Principal Operations Officer)	3/23/01 (Date)
/s/ (Stephen G. Rutledge)	Senior Vice President, CFO and Chief Investment Officer, (Principal Financial Officer)	3/23/01 (Date)
/s/ (Hal F. Lee)	Director	3/23/01 (Date)
/s/ (James A. Tolar, Jr.)	Director	3/23/01 (Date)
/s/ (Steve Dunn)	Director	3/23/01 (Date)
/s/ (Dean Wysner)	Director	3/23/01 (Date)
/s/ (Russell R. Wiggins)	Director	3/23/01 (Date)
/s/ (James I. Harrison, Jr.)	Director	3/23/01 (Date)

/s/	Director	3/23/01
(John R. Thomas)		(Date)
/s/	Director	3/23/01
(B. Phil Richardson)		(Date)
/s/	Director	3/23/01
(Boyd E. Christenberry)		(Date)