

PROTECTIVE LIFE CORP
Form 10-Q
November 04, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2011

or

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File Number 001-11339

Protective Life Corporation

(Exact name of registrant as specified in its charter)

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Delaware

95-2492236

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification Number)

2801 Highway 280 South

Birmingham, Alabama 35223

(Address of principal executive offices and zip code)

(205) 268-1000

(Registrant's telephone number, including area code)

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated Filer

Non-accelerated filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Number of shares of Common Stock, \$0.50 Par Value, outstanding as of October 25, 2011: 82,812,088

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PROTECTIVE LIFE CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011

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PROTECTIVE LIFE CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2011	2010	2011	2010
(Dollars In Thousands, Except Per Share Amounts)				
Revenues				
Premiums and policy fees	\$ 696,978	\$ 640,265	\$ 2,079,907	\$ 1,948,278
Reinsurance ceded	(326,967)	(334,040)	(1,023,023)	(1,019,598)
Net of reinsurance ceded	370,011	306,225	1,056,884	928,680
Net investment income	462,926	429,548	1,355,924	1,264,045
Realized investment gains (losses):				
Derivative financial instruments	(97,816)	(94,034)	(145,495)	(236,994)
All other investments	138,230	110,787	201,619	226,390
Other-than-temporary impairment losses	(6,259)	(12,898)	(37,912)	(71,437)
Portion recognized in other comprehensive income (before taxes)	(3,570)	5,283	12,933	35,155
Net impairment losses recognized in earnings	(9,829)	(7,615)	(24,979)	(36,282)
Other income	75,859	58,190	235,292	161,134
Total revenues	939,381	803,101	2,679,245	2,306,973
Benefits and expenses				
Benefits and settlement expenses, net of reinsurance ceded: (three months: 2011 - \$208,720; 2010 - \$308,594; nine months: 2011 - \$878,991; 2010 - \$971,061)	592,792	549,567	1,680,714	1,582,233
Amortization of deferred policy acquisition costs and value of business acquired	83,782	42,386	237,833	146,761
Other operating expenses, net of reinsurance ceded: (three months: 2011 - \$48,924; 2010 - \$48,851; nine months: 2011 - \$142,994; 2010 - \$142,932)	131,604	104,151	382,127	305,246
Total benefits and expenses	808,178	696,104	2,300,674	2,034,240
Income before income tax	131,203	106,997	378,571	272,733
Income tax expense	42,589	36,626	129,127	91,412
Net income	88,614	70,371	249,444	181,321
Less: Net income (loss) attributable to noncontrolling interests		(77)	245	(277)
Net income available to PLC's common shareowners(1)	\$ 88,614	\$ 70,448	\$ 249,199	\$ 181,598
Net income available to PLC's common shareowners - basic	\$ 1.05	\$ 0.81	\$ 2.90	\$ 2.10
Net income available to PLC's common shareowners - diluted	\$ 1.03	\$ 0.80	\$ 2.86	\$ 2.07
Cash dividends paid per share	\$ 0.16	\$ 0.14	\$ 0.46	\$ 0.40
Average shares outstanding - basic	84,722,232	86,603,569	85,883,669	86,555,761
Average shares outstanding - diluted	86,004,571	87,701,592	87,152,812	87,640,221

(1) Protective Life Corporation (PLC)

See Notes to Consolidated Condensed Financial Statements

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PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

	As of	
	September 30, 2011	December 31, 2010
	(Dollars In Thousands)	
Assets		
Fixed maturities, at fair value (amortized cost: 2011 - \$26,139,017; 2010 - \$24,002,893)	\$ 27,855,004	\$ 24,676,939
Equity securities, at fair value (cost: 2011 - \$336,722; 2010 - \$349,605)	327,802	359,412
Mortgage loans (2011 and 2010 includes: \$875,096 and \$934,655 related to securitizations)	5,377,977	4,892,829
Investment real estate, net of accumulated depreciation (2011 - \$1,404; 2010 - \$1,200)	27,495	25,340
Policy loans	880,203	793,448
Other long-term investments	284,550	276,337
Short-term investments	80,387	352,824
Total investments	34,833,418	31,377,129
Cash	332,487	264,425
Accrued investment income	363,548	329,078
Accounts and premiums receivable, net of allowance for uncollectible amounts (2011 - \$3,855; 2010 - \$4,330)	60,008	58,580
Reinsurance receivables	5,645,080	5,608,029
Deferred policy acquisition costs and value of business acquired	4,000,099	3,851,743
Goodwill	112,434	114,758
Property and equipment, net of accumulated depreciation (2011 - \$133,419; 2010 - \$130,576)	45,997	39,386
Other assets	201,516	169,664
Income tax receivable	11,142	45,582
Assets related to separate accounts		
Variable annuity	5,947,391	5,170,193
Variable universal life	470,283	534,219
Total assets	\$ 52,023,403	\$ 47,562,786
Liabilities		
Policy liabilities and accruals	\$ 21,909,724	\$ 19,713,392
Stable value product account balances	2,827,862	3,076,233
Annuity account balances	10,975,016	10,591,605
Other policyholders funds	575,056	578,037
Other liabilities	1,196,554	926,201
Mortgage loan backed certificates	32,471	61,678
Deferred income taxes	1,415,904	1,022,130
Non-recourse funding obligations	414,800	532,400
Reverse repurchase borrowings	157,103	
Debt	1,495,000	1,501,852
Subordinated debt securities	524,743	524,743
Liabilities related to separate accounts		
Variable annuity	5,947,391	5,170,193
Variable universal life	470,283	534,219
Total liabilities	47,941,907	44,232,683
Commitments and contingencies - Note 8		
Shareowners equity		

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Preferred Stock, \$1 par value, shares authorized: 4,000,000; Issued: None		
Common Stock, \$.50 par value, shares authorized: 2011 and 2010 - 160,000,000; shares issued: 2011 and 2010 - 88,776,960	44,388	44,388
Additional paid-in-capital	594,084	586,592
Treasury stock, at cost (2011 - 5,964,872 shares; 2010 - 3,108,983 shares)	(83,549)	(26,072)
Retained earnings	2,642,860	2,432,925
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on investments, net of income tax: (2011 -\$523,401; 2010 - \$195,096)	972,031	362,321
Net unrealized (losses) gains relating to other-than-temporary impaired investments for which a portion has been recognized in earnings, net of income tax: (2011 - \$(14,784); 2010 - \$(5,223))	(27,455)	(9,700)
Accumulated loss - derivatives, net of income tax: (2011 - \$(5,408); 2010 - \$(6,355))	(10,044)	(11,802)
Postretirement benefits liability adjustment, net of income tax: (2011 -\$26,966; 2010 - \$(25,612))	(50,080)	(47,565)
Total Protective Life Corporation's shareowners' equity	4,082,235	3,331,087
Noncontrolling interest	(739)	(984)
Total equity	4,081,496	3,330,103
Total liabilities and shareowners' equity	\$ 52,023,403	\$ 47,562,786

See Notes to Consolidated Condensed Financial Statements

Table of Contents**PROTECTIVE LIFE CORPORATION****CONSOLIDATED CONDENSED STATEMENTS OF SHAREOWNERS EQUITY**

(Unaudited)

	Common Stock	Additional Paid-In- Capital	Treasury Stock	Retained Earnings	Net Unrealized Gains / (Losses) on Investments	Accumulated Gain / (Loss) Derivatives	Accumulated Other Comprehensive Income (Loss) Minimum Pension Liability Adjustments	Total Protective Life Corporation's shareowners equity	Non controlling Interest	Total Equity
Balance, December 31, 2010	\$ 44,388	\$ 586,592	\$ (26,072)	\$ 2,432,925	\$ 352,621	\$ (11,802)	\$ (47,565)	\$ 3,331,087	\$ (984)	\$ 3,330,103
Net income for the three months ended March 31, 2011				67,517				67,517	(51)	67,466
Change in net unrealized gains/losses on investments (net of income tax - \$17,907)					33,263			33,263		33,263
Reclassification adjustment for investment amounts included in net income (net of income tax - \$(3,054))					(5,678)			(5,678)		(5,678)
Change in net unrealized gains/losses relating to other-than-temporary impaired investments for which a portion has been recognized in earnings (net of income tax \$(3,608))					(6,700)			(6,700)		(6,700)
Change in accumulated gain (loss) derivatives (net of income tax - \$3,621)						6,724		6,724		6,724
Reclassification adjustment for derivative amounts included in net income (net of income tax - \$(361))						(671)		(671)		(671)
Change in postretirement benefits liability adjustment (net of income tax - \$(451))							(838)	(838)		(838)
Comprehensive income for the three months ended March 31, 2011								93,617	(51)	93,566
Cash dividends (\$0.14 per share)				(11,995)				(11,995)		(11,995)
Stock-based compensation		4,191	309					4,500		4,500
Balance, March 31, 2011	\$ 44,388	\$ 590,783	\$ (25,763)	\$ 2,488,447	\$ 373,506	\$ (5,749)	\$ (48,403)	\$ 3,417,209	\$ (1,035)	\$ 3,416,174
Net income for the three months ended June 30, 2011				93,068				93,068	296	93,364
Change in net unrealized gains/losses on investments (net of income tax - \$85,553)					158,888			158,888		158,888
Reclassification adjustment for investment amounts included in net income (net of income tax - \$(7,271))					(13,508)			(13,508)		(13,508)
Change in net unrealized gains/losses relating to other-than-temporary					(10,111)			(10,111)		(10,111)

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impaired investments for which a portion has been recognized in earnings (net of income tax \$(5,444))											
Change in accumulated gain (loss) derivatives (net of income tax - \$(1,777))						(3,299)		(3,299)			(3,299)
Reclassification adjustment for derivative amounts included in net income (net of income tax - \$238)						443		443			443
Change in postretirement benefits liability adjustment (net of income tax - \$(451))							(838)	(838)			(838)
Comprehensive income for the three months ended June 30, 2011								224,643	296		224,939
Cash dividends (\$0.16 per share)							(13,719)	(13,719)			(13,719)
Repurchase of common stock						(24,893)		(24,893)			(24,893)
Stock-based compensation		1,668	330					1,998			1,998
Balance, June 30, 2011	\$ 44,388	\$ 592,451	\$ (50,326)	\$ 2,567,796	\$ 508,775	\$ (8,605)	\$ (49,241)	\$ 3,605,238	\$ (739)	\$	\$ 3,604,499

See Notes to Consolidated Condensed Financial Statements

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(Unaudited)

(continued)

	Common Stock	Additional Paid-In- Capital	Treasury Stock	Retained Earnings	Net Unrealized Gains / (Losses) on Investments	Accumulated Gain / (Loss) Derivatives	Other Comprehensive Income (Loss) Minimum Pension Liability Adjustments	Total Protective Life Corporation's shareowners equity	Non controlling Interest	Total Equity
Net income for the three months ended September 30, 2011				88,614				88,614		88,614
Change in net unrealized gains/losses on investments (net of income tax - \$238,985)					443,832			443,832		443,832
Reclassification adjustment for investment amounts included in net income (net of income tax - \$(3,814))										