

PROTECTIVE LIFE CORP  
Form 10-Q  
August 08, 2014  
[Table of Contents](#)

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D. C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 30, 2014

or

**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**

(State or other jurisdiction of incorporation or organization)

**95-2492236**

(IRS Employer Identification Number)

**2801 HIGHWAY 280 SOUTH**

**BIRMINGHAM, ALABAMA 35223**

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code **(205) 268-1000**

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 July 23, 2014: 78,861,427

Table of Contents

**PROTECTIVE LIFE CORPORATION**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR QUARTERLY PERIOD ENDED JUNE 30, 2014**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>PART I</b>	
<u>Item 1.</u> Financial Statements (unaudited):	
<u>Consolidated Condensed Statements of Income For The Three and Six Months Ended June 30, 2014 and 2013</u>	3
<u>Consolidated Condensed Statements of Comprehensive Income (Loss) For The Three and Six Months Ended June 30, 2014 and 2013</u>	4
<u>Consolidated Condensed Balance Sheets as of June 30, 2014 and December 31, 2013</u>	5
<u>Consolidated Condensed Statement of Shareowners' Equity For The Six Months Ended June 30, 2014</u>	7
<u>Consolidated Condensed Statements of Cash Flows For The Six Months Ended June 30, 2014 and 2013</u>	8
<u>Notes to Consolidated Condensed Financial Statements</u>	9
<u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	62
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	126
<u>Item 4.</u> <u>Controls and Procedures</u>	126
<b>PART II</b>	
<u>Item 1.</u> <u>Legal Proceedings</u>	127
<u>Item 1A.</u> <u>Risk Factors and Cautionary Factors that may Affect Future Results</u>	127
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	137
<u>Item 6.</u> <u>Exhibits</u>	138
<u>Signature</u>	139

Table of Contents

## PROTECTIVE LIFE CORPORATION

## CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2014	2013	2014	2013
(Dollars In Thousands, Except Per Share Amounts)				
<b>Revenues</b>				
Premiums and policy fees	\$ 851,802	\$ 756,331	\$ 1,667,698	\$ 1,483,178
Reinsurance ceded	(342,968)	(390,490)	(670,681)	(725,840)
Net of reinsurance ceded	508,834	365,841	997,017	757,338
Net investment income	550,816	466,220	1,088,979	923,854
Realized investment gains (losses):				
Derivative financial instruments	(89,926)	143,881	(195,276)	151,266
All other investments	80,148	(109,978)	152,262	(114,123)
Other-than-temporary impairment losses	(461)	(1,789)	(884)	(3,129)
Portion recognized in other comprehensive income (before taxes)	(999)	(2,211)	(2,167)	(5,455)
Net impairment losses recognized in earnings	(1,460)	(4,000)	(3,051)	(8,584)
Other income	106,931	94,392	205,970	179,419
Total revenues	1,155,343	956,356	2,245,901	1,889,170
<b>Benefits and expenses</b>				
Benefits and settlement expenses, net of reinsurance ceded: (three months: 2014 - \$328,555; 2013 - \$370,752; six months: 2014 - \$633,387; 2013 - \$678,058)	747,816	557,866	1,476,335	1,139,746
Amortization of deferred policy acquisition costs and value of business acquired	51,531	74,946	107,113	127,185
Other operating expenses, net of reinsurance ceded: (three months: 2014 - \$46,545; 2013 - \$50,406; six months: 2014 - \$90,311; 2013 - \$91,395)	193,786	166,531	375,038	347,599
Total benefits and expenses	993,133	799,343	1,958,486	1,614,530
<b>Income before income tax</b>	162,210	157,013	287,415	274,640
Income tax expense	54,233	53,814	95,799	93,150
<b>Net income</b>	\$ 107,977	\$ 103,199	\$ 191,616	\$ 181,490
Net income - basic	\$ 1.35	\$ 1.30	\$ 2.40	\$ 2.29
Net income - diluted	\$ 1.33	\$ 1.27	\$ 2.36	\$ 2.24
Cash dividends paid per share	\$ 0.24	\$ 0.20	\$ 0.44	\$ 0.38
Average shares outstanding - basic	79,979,153	79,404,770	79,794,831	79,272,814
Average shares outstanding - diluted	81,446,277	81,087,238	81,160,800	80,898,042

See Notes to Consolidated Condensed Financial Statements



Table of Contents**PROTECTIVE LIFE CORPORATION****CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(Unaudited)

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2014	2013	2014	2013
	(Dollars In Thousands)			
<b>Net income</b>	\$ 107,977	\$ 103,199	\$ 191,616	\$ 181,490
Other comprehensive income (loss):				
Change in net unrealized gains (losses) on investments, net of income tax: (three months: 2014 - \$216,476; 2013 - \$(420,013); six months: 2014 - \$476,065; 2013 - \$(496,308))	402,027	(780,022)	884,120	(921,713)
Reclassification adjustment for investment amounts included in net income, net of income tax: (three months: 2014 - \$(6,558); 2013 - \$(6,131); six months: 2014 - \$(8,581); 2013 - \$(8,835))	(12,180)	(11,387)	(15,936)	(16,409)
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: (three months: 2014 - \$(571); 2013 - \$(1,293); six months: 2014 - \$1,858; 2013 - \$2,926)	(1,061)	(2,402)	3,450	5,435
Change in accumulated (loss) gain - derivatives, net of income tax: (three months: 2014 - \$(325); 2013 - \$(1,606); six months: 2014 - \$(9); 2013 - \$(63))	(604)	(2,983)	(17)	(117)
Reclassification adjustment for derivative amounts included in net income, net of income tax: (three months: 2014 - \$214; 2013 - \$203; six months: 2014 - \$449; 2013 - \$377)	399	377	835	700
Change in postretirement benefits liability adjustment, net of income tax: (three months: 2014 - \$1,896; 2013 - \$(922); six months: 2014 - \$1,264; 2013 - \$(1,844))	3,520	(1,712)	2,347	(3,424)
<b>Total other comprehensive income (loss)</b>	<b>392,101</b>	<b>(798,129)</b>	<b>874,799</b>	<b>(935,528)</b>
<b>Total comprehensive income (loss)</b>	<b>\$ 500,078</b>	<b>\$ (694,930)</b>	<b>\$ 1,066,415</b>	<b>\$ (754,038)</b>

See Notes to Consolidated Condensed Financial Statements

Table of Contents

**PROTECTIVE LIFE CORPORATION**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**

(Unaudited)

	June 30, 2014	As of	December 31, 2013
	(Dollars In Thousands)		
<b>Assets</b>			
Fixed maturities, at fair value (amortized cost: 2014 - \$34,244,088; 2013 - \$33,662,295)	\$ 37,164,427		\$ 34,815,931
Fixed maturities, at amortized cost (fair value: 2014 - \$451,382; 2013 - \$335,676)	400,000		365,000
Equity securities, at fair value (cost: 2014 - \$771,004; 2013 - \$675,758)	792,047		646,027
Mortgage loans (2014 and 2013 includes: \$531,141 and \$627,731 related to securitizations)	5,294,729		5,493,492
Investment real estate, net of accumulated depreciation (2014 - \$1,123; 2013 - \$1,066)	18,856		20,413
Policy loans	1,778,379		1,815,744
Other long-term investments	475,719		521,811
Short-term investments	208,624		134,146
Total investments	46,132,781		43,812,564
Cash	361,088		466,542
Accrued investment income	485,620		465,333
Accounts and premiums receivable, net of allowance for uncollectible amounts (2014 - \$4,322; 2013 - \$4,283)	101,891		101,039
Reinsurance receivables	6,132,712		6,175,115
Deferred policy acquisition costs and value of business acquired	3,273,275		3,570,215
Goodwill	103,914		105,463
Property and equipment, net of accumulated depreciation (2014 - \$115,056; 2013 - \$111,579)	53,421		52,403
Other assets	385,060		432,151
Assets related to separate accounts			
Variable annuity	13,304,455		12,791,438
Variable universal life	823,747		783,618
<b>Total assets</b>	<b>\$ 71,157,964</b>		<b>\$ 68,755,881</b>

See Notes to Consolidated Condensed Financial Statements

Table of Contents**PROTECTIVE LIFE CORPORATION****CONSOLIDATED CONDENSED BALANCE SHEETS**

(continued)

(Unaudited)

	June 30, 2014	As of	December 31, 2013
	(Dollars In Thousands)		
<b>Liabilities</b>			
Future policy benefits and claims	\$ 29,823,111	\$	29,772,325
Unearned premiums	1,586,785		1,549,815
Total policy liabilities and accruals	31,409,896		31,322,140
Stable value product account balances	2,435,995		2,559,552
Annuity account balances	11,071,468		11,125,253
Other policyholders funds	1,400,817		1,214,380
Other liabilities	1,381,570		1,143,371
Income tax payable	99,869		12,761
Deferred income taxes	1,489,331		1,050,533
Non-recourse funding obligations	579,078		562,448
Repurchase program borrowings	420,490		350,000
Debt	1,445,000		1,585,000
Subordinated debt securities	540,593		540,593
Liabilities related to separate accounts			
Variable annuity	13,304,455		12,791,438
Variable universal life	823,747		783,618
Total liabilities	66,402,309		65,041,087
<b>Commitments and contingencies - Note 10</b>			
<b>Shareowners equity</b>			
Preferred Stock; \$1 par value, shares authorized: 4,000,000; Issued: None			
Common Stock, \$.50 par value, shares authorized: 2014 and 2013 - 160,000,000 shares issued: 2014 and 2013 - 88,776,960	\$ 44,388	\$	44,388
Additional paid-in-capital	610,451		606,934
Treasury stock, at cost (2014 - 9,915,533; 2013 - 10,199,514)	(194,838)		(200,416)
Retained earnings	2,926,789		2,769,822
Accumulated other comprehensive income (loss):			
Net unrealized gains (losses) on investments, net of income tax: (2014 - \$757,392; 2013 - \$289,908)	1,406,584		538,400
Net unrealized (losses) gains relating to other-than-temporary impaired investments for which a portion has been recognized in earnings, net of income tax: (2014 - \$2,183; 2013 - \$325)	4,053		603
Accumulated loss - derivatives, net of income tax: (2014 - \$(226); 2013 - \$(666))	(417)		(1,235)
Postretirement benefits liability adjustment, net of income tax: (2014 - \$(22,268); 2013 - \$(23,532))	(41,355)		(43,702)
Total shareowners equity	4,755,655		3,714,794
<b>Total liabilities and shareowners equity</b>	<b>\$ 71,157,964</b>	<b>\$</b>	<b>68,755,881</b>

See Notes to Consolidated Condensed Financial Statements





Table of Contents

**PROTECTIVE LIFE CORPORATION**  
**CONSOLIDATED CONDENSED STATEMENTS OF SHAREOWNERS' EQUITY**  
(Unaudited)

**Accumulated**