

PROTECTIVE LIFE CORP
Form 10-Q
November 09, 2007

**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 **September 30, 2007**

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)

Delaware

(State or other jurisdiction of incorporation or organization)

95-2492236

(IRS Employer Identification No.)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the

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Exchange Act. (Check one):

Large accelerated filer Accelerated Filer Non-accelerated filer

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

Number of shares of Common Stock, \$0.50 par value, outstanding as of November 7, 2007: 70,148,063

PROTECTIVE LIFE CORPORATION

Quarterly Report on Form 10-Q
For Quarter Ended September 30, 2007

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Signature

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Dollars In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2007	2006	2007	2006
Revenues				
Premiums and policy fees	\$ 676,500	\$ 637,457	\$ 2,024,682	\$ 1,651,362
Reinsurance ceded	(368,878)	(371,688)	(1,162,641)	(960,127)
Net of reinsurance ceded	307,622	265,769	862,041	691,235
Net investment income	428,792	410,746	1,254,910	1,010,545
Realized investment (losses) gains:				
Derivative financial instructions	(37,467)	(55,302)	36,523	(46,764)
All other investments	43,114	78,645	(10,201)	98,461
Other income	51,874	62,355	183,118	164,490
Total revenues	793,935	762,213	2,326,391	1,917,967
Benefits and expenses				
Benefits and settlement expenses, net of reinsurance ceded:				
(three months: 2007 - \$360,749; 2006 - \$299,119				
nine months: 2007 - \$1,112,579; 2006 - \$846,244)	504,905	488,948	1,431,639	1,174,493
Amortization of deferred policy acquisition costs and value of businesses acquired	73,863	67,199	228,279	151,383
Other operating expenses, net of reinsurance ceded:				
(three months: 2007 - \$62,470; 2006 - \$176,894				
nine months: 2007 - \$209,762; 2006 - \$271,888)	107,750	118,168	324,287	290,850
Total benefits and expenses	686,518	674,315	1,984,205	1,616,726
Income before income tax	107,417	87,898	342,186	301,241
Income tax expense	34,425	30,597	113,506	104,862
Net income	\$ 72,992	\$ 57,301	\$ 228,680	\$ 196,379
Net income per share - basic	\$ 1.03	\$ 0.81	\$ 3.22	\$ 2.77
Net income per share - diluted	\$ 1.02	\$ 0.80	\$ 3.20	\$ 2.75
Cash dividends paid per share	\$ 0.225	\$ 0.215	\$ 0.665	\$ 0.625
Average share outstanding - basic	71,074,619	70,811,292	71,055,969	70,789,982
Average share outstanding - diluted	71,467,009	71,355,221	71,481,471	71,431,304

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See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS

(Dollars In Thousands, Except Per Share Amounts)

(Unaudited)

	September 30, 2007	December 31, 2006
Assets		
Investments:		
Fixed maturities, at fair market value (amortized cost: 2007 - \$22,362,479; 2006 - \$21,194,871)	\$ 22,278,777	\$ 21,367,263
Equity securities, at fair market value (cost: 2007 - \$69,960; 2006 - \$121,823)	73,237	128,695
Mortgage loans	4,193,776	3,880,028
Investment real estate, net of accumulated depreciation (2007 - \$260; 2006 - \$5,483)	9,735	38,918
Policy loans	816,958	839,502
Other long-term investments	183,667	310,225
Short-term investments	1,105,393	1,381,073
Total investments	28,661,543	27,945,704
Cash	175,420	69,516
Accrued investment income	277,696	284,529
Accounts and premiums receivable, net of allowance for uncollectible amounts \$(2007-3,336;2006-\$4,140)	234,351	194,447
Reinsurance receivables	4,956,979	4,618,122
Deferred policy acquisition costs and value of businesses acquired	3,393,961	3,198,735
Goodwill	118,032	100,479
Property and equipment, net of accumulated depreciation (2007 - \$108,257; 2006 - \$109,718)	42,510	43,796
Other assets	162,930	165,656
Income tax receivable	128,143	116,318
Assets related to separate accounts		
Variable annuity	2,955,534	2,750,129
Variable universal life	354,070	307,863
Total assets	\$ 41,461,169	\$ 39,795,294
Liabilities		
Policy liabilities and accruals	\$ 17,029,708	\$ 16,059,930
Stable value product account balances	4,988,787	5,513,464
Annuity account balances	8,882,935	8,958,089
Other policyholders' funds	353,301	328,664
Securities sold under repurchase agreement	144,200	16,949
Other liabilities	1,324,921	1,323,375
Deferred income taxes	439,495	374,486
Non-recourse funding obligations	1,175,000	425,000
Liabilities related to variable interest entities	400,000	420,395
Long-term debt	482,852	479,132
Subordinated debt securities	524,743	524,743
Liabilities related to separate accounts		
Variable annuity	2,955,534	2,750,129

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Variable universal life	354,070	307,863
	39,055,546	37,482,219
Commitments and contingent liabilities - Note 3		
Share-owners' equity		
Preferred Stock; \$1 par value, shares authorized: 4,000,000; Issued: None		
Common Stock, \$.50 par value, shares authorized: 2007 and 2006 - 160,000,000		
shares issued: 2007 and 2006 - 73,251,960	36,626	36,626
Additional paid-in capital	443,912	438,485
Treasury stock, at cost (2007 - 3,104,034 shares; 2006 - 3,287,312 shares)	(11,140)	(11,796)
Unallocated stock in Employee Stock Ownership Plan (2007 - 259,139 shares; 2006 - 366,243 shares)	(852)	(1,231)
Retained earnings	2,022,788	1,838,560
Accumulated other comprehensive income (loss):		
Net unrealized (losses) gains on investments, net of income tax: \$ (2007-\$ (28,241); 2006-\$22,109)	(48,842)	41,405
Accumulated gain (loss) - hedging, net of income tax: (2007 - \$(8,377); 2006 - \$(3,179))	(15,096)	(5,954)
Postretirement benefits liability adjustment, net of income tax: (2007 - \$(11,724); 2006 - \$(12,292))	(21,773)	(23,020)
Total share-owners' equity	2,405,623	2,313,075
	\$ 41,461,169	\$ 39,795,294

See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Dollars In Thousands)

(Unaudited)

Nine Months Ended