

PROTECTIVE LIFE CORP
Form 8-K
January 15, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported)

December 31, 2001

PROTECTIVE LIFE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-12332
(Commission
File Number)

95-2492236
(IRS Employer
Identification No.)

2801 Highway 280 South, Birmingham, Alabama
(Address of principal executive offices)

35223
(Zip Code)

Registrant's telephone number, including area code **(205) 879-9230**

N/A

(Former name or former address, if changed since last report.)

Item 2. Acquisition or Disposition of Assets.

On December 31, 2001, Protective Life Corporation (the Company) completed its previously announced sale of substantially all of its Dental Benefits Division to Fortis, Inc. The transaction, which was valued at approximately \$300 million, included the coinsurance of the Division's indemnity business and the sale of the Division's prepaid dental subsidiaries.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

The following pro forma statements of Protective Life Corporation are included herein:

Pro Forma Consolidated Condensed Balance Sheet as of September 30, 2001 (unaudited)

Pro Forma Consolidated Condensed Statement of Income for the nine months ended September 30, 2001 (unaudited)

Pro Forma Consolidated Condensed Statement of Income for the year ended December 31, 2000 (unaudited)

Pro Forma Consolidated Condensed Statement of Income for the year ended December 31, 1999 (unaudited)

Pro Forma Consolidated Condensed Statement of Income for the year ended December 31, 1998 (unaudited)

Notes to Pro Forma Consolidated Condensed Financial Statements (unaudited)

SIGNATURES

Pursuant to the requirements 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.

PROTECTIVE LIFE CORPORATION

BY/s/Jerry W. DeFoor

Jerry W. DeFoor

Vice President and Controller

Dated: January 15, 2002

INDEX TO FINANCIAL STATEMENTS

PRO FORMA STATEMENTS OF PROTECTIVE LIFE CORPORATION

Pro Forma Consolidated Condensed Balance Sheet as of
September 30, 2001 (unaudited)

Pro Forma Consolidated Condensed Statement of Income
for the nine months ended September 30, 2001 (unaudited)

Pro Forma Consolidated Condensed Statement of Income
for the year ended December 31, 2000 (unaudited)

Pro Forma Consolidated Condensed Statement of Income
for the year ended December 31, 1999 (unaudited)

Pro Forma Consolidated Condensed Statement of Income
for the year ended December 31, 1998 (unaudited)

Notes to Pro Forma Consolidated Condensed Statement (unaudited)

PROTECTIVE LIFE CORPORATION
PRO FORMA CONSOLIDATED CONDENSED BALANCE SHEET AS OF SEPTEMBER 30, 2001
(DOLLARS IN THOUSANDS)
(UNAUDITED)

| | PROTECTIVE LIFE CORPORATION CONSOLIDATED (UNAUDITED) | PRO FORMA ADJUSTMENTS ----- | PROTECTIVE LI CORPORATION PRO FORMA CONSOLIDATE ----- |
|---------------------------------------|---|---------------------------------------|---|
| ASSETS | | | |
| Investments: | | | |
| Fixed maturities, at market | \$9,537,794 | (\$8,382) (1) | \$9,529,412 |
| Equity securities, at market | 79,200 | | 79,200 |
| Mortgage loans on real estate | 2,507,560 | | 2,507,560 |
| Investment in real estate, net | 22,992 | | 22,992 |
| Policy loans | 329,762 | | 329,762 |
| Other long-term investments | 183,696 | | 183,696 |
| Short-term investments | 144,002 | (6,391) (1) | 137,611 |
| | ----- | ----- | ----- |
| Total investments | 12,805,006 | (14,773) | 12,790,233 |
| Cash | 272,992 | 219,396 (1) | 492,388 |
| Accrued investment income | 148,492 | (79) (1) | 148,413 |
| Accounts and premiums receivable, net | 117,798 | (18,860) (1) | 98,938 |

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| | | | |
|--|--------------|---------------|--------------|
| Accounts receivable - investments | 558,900 | | 558,900 |
| Reinsurance receivables | 1,153,644 | 51,176 (1) | 1,204,820 |
| Deferred policy acquisition costs | 1,374,836 | (13,510) (1) | 1,361,326 |
| Goodwill, net | 247,952 | (198,878) (1) | 49,074 |
| Property and equipment, net | 55,794 | | 55,794 |
| Other assets | 262,369 | (5,476) (1) | 248,393 |
| | | (8,500) (2) | |
| Assets related to separate accounts | | | |
| Variable annuity | 1,514,327 | | 1,514,327 |
| Variable universal life | 65,193 | | 65,193 |
| Other | 3,923 | | 3,923 |
| | ----- | ----- | ----- |
| | \$18,581,226 | \$10,496 | \$18,591,722 |
| | ===== | ===== | ===== |
| LIABILITIES | | | |
| Policy liabilities and accruals | \$6,949,783 | (\$7,237) (1) | \$6,942,546 |
| Stable value contract account balances | 3,838,608 | | 3,838,608 |
| Annuity account balances | 2,407,805 | | 2,407,805 |
| Other policyholders' funds | 144,762 | (1,678) (1) | 143,084 |
| Accounts payable - investments | 939,951 | | 939,951 |
| Other liabilities | 461,389 | (13,483) (1) | 462,948 |
| | | 15,042 (2) | |
| Accrued income taxes | 15,108 | 53,898 (1) | 63,741 |
| | | (5,265) (2) | |
| Deferred income taxes | 181,671 | 1,611 (1) | 180,307 |
| | | (2,975) (2) | |
| Debt | 410,498 | | 410,498 |
| Guaranteed Preferred Beneficial Interests | | | |
| 8.25% Trust Originated Preferred Securities | 75,000 | | 75,000 |
| 7.5% Trust Originated Preferred Securities | 100,000 | | 100,000 |
| Liabilities related to separate accounts | | | |
| Variable annuity | 1,514,327 | | 1,514,327 |
| Variable universal life | 65,193 | | 65,193 |
| Other | 3,923 | | 3,923 |
| | ----- | ----- | ----- |
| | 17,108,018 | 39,913 | 17,147,931 |
| | ----- | ----- | ----- |
| SHARE-OWNERS' EQUITY | | | |
| Preferred Stock, \$1.00 par value, Shares authorized: 3,600,000; Issued: None | | | |
| Junior Participating Cumulative Preferred Stock, \$1.00 par value Shares authorized: 400,000; Issued: None | | | |
| Common Stock, \$.50 par value, Shares authorized: 160,000,000 Shares issued: 73,251,960 | 36,626 | | 36,626 |
| Additional paid-in capital | 404,827 | | 404,827 |
| Treasury stock, at cost 4,696,788 shares | (15,897) | | (15,897) |
| Stock held in trust 49,761 shares | (1,290) | | (1,290) |
| Unallocated stock in Employee Stock Ownership Plan 1,001,401 shares | (3,686) | | (3,686) |
| Retained earnings | 938,988 | (14,115) (1) | 909,571 |
| | | (15,302) (2) | |
| Accumulated other comprehensive income: | | | |
| Net unrealized gains on investments (net of income tax: \$61,191) | 113,640 | | 113,640 |
| | ----- | ----- | ----- |
| | 1,473,208 | (29,417) | 1,443,791 |
| | ----- | ----- | ----- |
| | \$18,581,226 | \$10,496 | \$18,591,722 |
| | ===== | ===== | ===== |

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See notes to pro forma consolidated condensed financial statements

PROTECTIVE LIFE CORPORATION
PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30,
2001
(DOLLARS IN THOUSANDS)
(UNAUDITED)

| | PROTECTIVE LIFE CORPORATION CONSOLIDATED | PRO FORMA ADJUSTMENTS | PROTE COR PR CON |
|--|--|--------------------------|---------------------------|
| | ----- | ----- | ----- |
| Revenues | | | |
| Premiums and policy fees | \$1,264,606 | \$254,212 | \$1 |
| Reinsurance ceded | 554,307 | 8,470 | |
| | ----- | ----- | |
| Net of reinsurance ceded | 710,299 | 245,742 | |
| Net investment income | 646,963 | 4,718 | |
| Realized investment gains (losses) | 819 | | |
| Other income | 107,760 | 13,119 | |
| | ----- | ----- | |
| | 1,465,841 | 263,579 | 1 |
| | ----- | ----- | |
| Benefits and expenses | | | |
| Benefits and settlement expenses | 901,582 | 169,827 | |
| Amortization of deferred policy acquisition costs | 95,203 | 5,414 | |
| Amortization of goodwill | 6,746 | 4,103 | |
| Other operating expenses | 287,710 | 78,862 | |
| | ----- | ----- | |
| | 1,291,241 | 258,206 | 1 |
| | ----- | ----- | |
| Income before income tax | 174,600 | 5,373 | |
| Income tax expense | 59,189 | 3,317 | |
| | ----- | ----- | |
| Income from Continuing Operations Before the Effect of a Change in Accounting Principle and Extraordinary Loss | \$115,411 | \$2,056 | |
| | ===== | ===== | ===== |

See notes to pro forma consolidated condensed financial statements

PROTECTIVE LIFE CORPORATION
PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2000
(DOLLARS IN THOUSANDS)
(UNAUDITED)

| | PROTECTIVE LIFE CORPORATION CONSOLIDATED | PRO FORMA ADJUSTMENTS | PROTECTIVE CORPORATION PRO FORMA CONSOLIDATED |
|--|--|--------------------------|--|
| | ----- | ----- | ----- |
| Revenues | | | |
| Premiums and policy fees | \$1,656,108 | \$352,837 | \$1,303,271 |
| Reinsurance ceded | 822,450 | 11,102 | 811,348 |
| | ----- | ----- | ----- |
| Net of reinsurance ceded | 833,658 | 341,735 | 491,923 |
| Net investment income | 737,284 | 7,131 | 730,153 |
| Realized investment gains (losses) | (7,043) | | (7,043) |
| Other income | 170,068 | 18,234 | 151,834 |
| | ----- | ----- | ----- |
| | 1,733,967 | 367,100 | 1,366,867 |
| | ----- | ----- | ----- |
| Benefits and expenses | | | |
| Benefits and settlement expenses | 989,565 | 227,034 | 762,531 |
| Amortization of deferred policy acquisition costs | 149,574 | 6,394 | 143,180 |
| Amortization of goodwill | 8,525 | 5,412 | 3,113 |
| Other operating expenses | 346,911 | 102,225 | 244,686 |
| | ----- | ----- | ----- |
| | 1,494,575 | 341,065 | 1,153,510 |
| | ----- | ----- | ----- |
| Income before income tax | 239,392 | 26,035 | 213,357 |
| Income tax expense | 85,916 | 11,006 | 74,910 |
| | ----- | ----- | ----- |
| Income from Continuing Operations Before the Effect of a Change in Accounting Principle and Extraordinary Loss | \$153,476 | \$15,029 | \$138,447 |
| | ===== | ===== | ===== |

See notes to pro forma consolidated condensed financial statements

PROTECTIVE LIFE CORPORATION
PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1999
(DOLLARS IN THOUSANDS)
(UNAUDITED)

| | PROTECTIVE LIFE CORPORATION CONSOLIDATED | PRO FORMA ADJUSTMENTS | PROTECTIVE L CORPORATIO PRO FORMA CONSOLIDAT |
|--|--|--------------------------|---|
| | ----- | ----- | ----- |
| Revenues | | | |
| Premiums and policy fees | \$1,299,317 | \$400,313 | \$899,004 |
| Reinsurance ceded | 538,033 | 39,768 | 498,265 |
| | ----- | ----- | ----- |
| Net of reinsurance ceded | 761,284 | 360,545 | 400,739 |
| Net investment income | 676,401 | 7,998 | 668,403 |
| Realized investment gains (losses) | (1,057) | | (1,057) |
| Other income | 97,254 | 7,563 | 89,691 |
| | ----- | ----- | ----- |
| | 1,533,882 | 376,106 | 1,157,776 |
| | ----- | ----- | ----- |
| Benefits and expenses | | | |
| Benefits and settlement expenses | 864,582 | 233,202 | 631,380 |
| Amortization of deferred policy acquisition costs | 104,912 | 8,223 | 96,689 |
| Amortization of goodwill | 5,584 | 5,268 | 316 |
| Other operating expenses | 319,283 | 94,742 | 224,541 |
| | ----- | ----- | ----- |
| | 1,294,361 | 341,435 | 952,926 |
| | ----- | ----- | ----- |
| Income before income tax | 239,521 | 34,671 | 204,850 |
| | ----- | ----- | ----- |
| Income tax expense | 86,431 | 13,979 | 72,452 |
| | ----- | ----- | ----- |
| Income from Continuing Operations Before the Effect of a Change in Accounting Principle and Extraordinary Loss | \$153,090 | \$20,692 | \$132,398 |
| | ===== | ===== | ===== |

See notes to pro forma consolidated condensed financial statements

PROTECTIVE LIFE CORPORATION
PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1998
(DOLLARS IN THOUSANDS)
(UNAUDITED)

| | PROTECTIVE LIFE CORPORATION CONSOLIDATED | PRO FORMA ADJUSTMENTS | PROTECTIVE L CORPORATIO PRO FORMA CONSOLIDAT |
|--|--|--------------------------|---|
| | ----- | ----- | ----- |

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| | | | |
|--|-------------|-----------|-----------|
| Revenues | | | |
| Premiums and policy fees | \$1,122,010 | \$355,395 | \$766,615 |
| Reinsurance ceded | 459,215 | 104,696 | 354,519 |
| | ----- | ----- | ----- |
| Net of reinsurance ceded | 662,795 | 250,699 | 412,096 |
| Net investment income | 636,396 | 5,002 | 631,394 |
| Realized investment gains (losses) | 3,121 | | 3,121 |
| Other income | 64,103 | 4,346 | 59,757 |
| | ----- | ----- | ----- |
| | 1,366,415 | 260,047 | 1,106,368 |
| | ----- | ----- | ----- |
| Benefits and expenses | | | |
| Benefits and settlement expenses | 785,765 | 155,241 | 630,524 |
| Amortization of deferred policy acquisition costs | 111,188 | 6,859 | 104,329 |
| Amortization of goodwill | 2,778 | 2,778 | 0 |
| Other operating expenses | 264,572 | 65,113 | 199,459 |
| | ----- | ----- | ----- |
| | 1,164,303 | 229,991 | 934,312 |
| | ----- | ----- | ----- |
| Income before income tax | 202,112 | 30,056 | 172,056 |
| | ----- | ----- | ----- |
| Income tax expense | 71,331 | 11,492 | 59,839 |
| | ----- | ----- | ----- |
| Income from Continuing Operations Before the Effect of a Change in Accounting Principle and Extraordinary Loss | \$130,781 | \$18,564 | \$112,217 |
| | ===== | ===== | ===== |

See notes to pro forma consolidated condensed financial statements

PROTECTIVE LIFE CORPORATION
NOTES TO PRO FORMA CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

Note A. Pro Forma Assumptions

On December 31, 2001, Protective Life Corporation (the Company) completed its sale to Fortis, Inc. of substantially all of its Dental Benefits Division (Dental Division), discontinued certain other remaining Dental Division operations, and discontinued other Dental Division related operations reported in the Corporate and Other segment, primarily other health insurance lines (the sale and discontinued operations are hereinafter collectively referred to as the discontinuance). These transactions will be accounted for as discontinued operations under Accounting Principles Board Opinion No. 30.

The accompanying unaudited pro forma consolidated condensed balance sheet as of September 30, 2001, gives effect to the discontinuance as if such transactions had occurred on September 30, 2001.

The accompanying unaudited pro forma consolidated condensed statements of income for the nine months ended September 30, 2001 and the years ended December 31, 2000, 1999, and 1998, give effect to the Company's discontinuance of these operations by removing their historical results from those amounts previously reported. These pro forma statements of income represent only those elements of the Company's operations that are a part of continuing operations. Items of a nonrecurring nature, which are a part of the discontinuance, are not included in the

pro forma statements of income.

The above-mentioned statements have been prepared in accordance with generally accepted accounting principles for pro forma financial information and with the Instructions to Form 8-K and Article 11 of Regulation S-X. In the opinion of management, all significant adjustments required for an appropriate pro forma presentation have been included.

Note B. Pro Forma Adjustments

The following pro forma adjustments are made to the unaudited consolidated condensed balance sheet as if the discontinuance occurred September 30, 2001. The pro forma adjustments are based upon the information available as of the date of this Form 8-K. The pro forma adjustments include the estimated loss on sale of the Dental Division and other estimated costs of the discontinuance. Actual results of the discontinuance will not be determinable until the Company's results for the quarter ending December 31, 2001, are available.

Reference numbers correspond to those on the pro forma consolidated condensed balance sheet.

1. To give effect to the sale of the assets, liabilities, and equity and recording of accrued income taxes related thereto.
2. To give effect to costs related to the discontinuance including indemnifications and other exit costs.

The pro forma adjustments made to the unaudited consolidated condensed statements of income are to give effect to the elimination of the historical revenues and expenses of the discontinued business.

The pro forma statements of income do not purport to be indicative of results of the future operations of the Company. That is, the following pro forma information is not a projection of the Company's future results from continuing operations, and does not include any pro forma adjustments for the future effects of the transactions including any income from the reinvestment of capital.