

PROTECTIVE LIFE CORP
Form 10-Q
August 03, 2017
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, 2017

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 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)

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 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 "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated Filer

Edgar Filing: PROTECTIVE LIFE CORP - Form 10-Q

Non-accelerated filer Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, \$0.01 Par Value, outstanding as of July 21, 2017: 1,000

Table of Contents

PROTECTIVE LIFE CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTERLY PERIOD ENDED JUNE 30, 2017

TABLE OF CONTENTS

PART I

	Page
Item 1. Financial Statements (unaudited):	
<u>Consolidated Condensed Statements of Income For The Three and Six Months Ended June 30, 2017 and 2016</u>	<u>2</u>
<u>Consolidated Condensed Statements of Comprehensive Income For The Three and Six Months Ended June 30, 2017 and 2016</u>	<u>3</u>
<u>Consolidated Condensed Balance Sheets as of June 30, 2017 and 2016</u>	<u>4</u>
<u>Consolidated Condensed Statement of Shareowner's Equity For The Six Months ended June 30, 2017</u>	<u>6</u>
<u>Consolidated Condensed Statements of Cash Flows For The Six Months Ended June 30, 2017 and 2016</u>	<u>7</u>
<u>Notes to Consolidated Condensed Financial Statements</u>	<u>9</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>55</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>106</u>
Item 4. <u>Controls and Procedures</u>	<u>106</u>

PART II

Item 1A. <u>Risk Factors</u>	<u>106</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>112</u>
Item 6. <u>Exhibits</u>	<u>113</u>
<u>Signature</u>	<u>114</u>

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,	
	2017	2016	2017	2016
	(Dollars In Thousands)			
Revenues				
Premiums and policy fees	\$868,139	\$857,948	\$1,728,725	\$1,710,743
Reinsurance ceded	(342,898)	(336,605)	(658,974)	(646,932)
Net of reinsurance ceded	525,241	521,343	1,069,751	1,063,811
Net investment income	507,771	488,460	1,014,184	963,577
Realized investment gains (losses):				
Derivative financial instruments	(108,188)	(83,366)	(178,066)	(156,865)
All other investments	53,717	88,783	76,558	170,511
Other-than-temporary impairment losses	(33)	(5,527)	(2,758)	(8,296)
Portion recognized in other comprehensive income (before taxes)	(2,752)	4,560	(7,858)	4,712
Net impairment losses recognized in earnings	(2,785)	(967)	(10,616)	(3,584)
Other income	111,311	102,148	220,553	205,864
Total revenues	1,087,067	1,116,401	2,192,364	2,243,314
Benefits and expenses				
Benefits and settlement expenses, net of reinsurance ceded: (three and six months 2017 -\$286,234 and \$549,611; three and six months 2016 - \$276,294 and \$576,167)	712,361	713,697	1,462,003	1,428,242
Amortization of deferred policy acquisition costs and value of business acquired	23,102	20,761	43,621	51,507
Other operating expenses, net of reinsurance ceded: (three and six months 2017 -\$53,305 and \$104,322; 2016 -\$50,950 and \$99,261)	225,836	213,282	448,623	423,062
Total benefits and expenses	961,299	947,740	1,954,247	1,902,811
Income before income tax	125,768	168,661	238,117	340,503
Income tax expense	41,500	56,541	78,435	113,035
Net income	\$84,268	\$112,120	\$159,682	\$227,468

See Notes to the Consolidated Condensed Financial Statements

2

Table of Contents

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars In Thousands)			
Net income	\$84,268	\$112,120	\$159,682	\$227,468
Other comprehensive income (loss):				
Change in net unrealized gains (losses) on investments, net of income tax: (three months: 2017 - \$155,316; 2016 - \$314,161; six months: 2017 - \$241,278; 2016 - \$550,511)	288,445	583,441	448,086	1,022,377
Reclassification adjustment for investment amounts included in net income, net of income tax: (three months: 2017 - \$1,355; 2016 - \$(5,588); six months: 2017 - \$777; 2016 - \$(6,616))	2,517	(10,377)	1,445	(12,287)
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: 2017 - \$1,390; 2016 - \$(1,543); six months: 2017 - \$3,385; 2016 - \$(1,384))	2,583	(2,866)	6,286	(2,572)
Change in accumulated (loss) gain - derivatives, net of income tax: (three months: 2017 - \$(64); 2016 - \$0; six months: 2017 - \$(426); 2016 - \$0)	(120)	—	(792)	—
Reclassification adjustment for derivative amounts included in net income, net of income tax: (three months: 2017 - \$53; 2016 - \$0; six months: 2017 - \$125; 2016 - \$0)	100	—	233	—
Total other comprehensive income	293,525	570,198	455,258	