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ST PAUL COMPANIES INC /MN/

Form 8-K

October 15, 2001

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): September 28, 2001

THE ST. PAUL COMPANIES, INC.

(Exact name of Registrant as specified in its charter)

Minnesota	001-10898	41-0518860
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(State of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

385 Washington St., St. Paul, MN	55102
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(Address of principal executive offices)	(Zip Code)

(651) 310-7911

(Registrant's telephone number,
including area code)

N/A

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

Item 2. Acquisition or Disposition of Assets.

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- (a) On September 28, 2001, The St. Paul Companies' wholly-owned subsidiary, St. Paul Fire and Marine Insurance Company, completed the sale of Fidelity and Guaranty Life Insurance Company (F&G Life), a life, annuity and structured settlements company based in Baltimore, Maryland, to Old Mutual plc, a London-based international financial services company. Pursuant to the terms of the stock purchase agreement between St. Paul Fire and Marine Insurance Company and Old Mutual plc related to this sale of F&G Life, Old Mutual plc transferred 190,356,631 shares of Old Mutual plc ordinary shares, valued at \$300 million based on the average closing price of Old Mutual plc shares on the London Stock Exchange for the ten consecutive trading days prior to September 27, 2001, \$335 million in cash, and approximately \$4 million in interest, to St. Paul Fire and Marine Insurance Company on September 28, 2001 in exchange for all the outstanding equity securities of F&G Life. That purchase price was determined through negotiations between St. Paul Fire and Marine Insurance Company and Old Mutual plc, and their respective investment bankers.
- (b) Not applicable.

Item 5. Other Events.

- (a) On October 11, 2001, The St. Paul Companies, Inc. announced that Jay S. Fishman, previously chairman and chief executive officer of Travelers Insurance Group Inc. and chief operating officer, finance and risk, of Travelers' parent, Citigroup Inc., has been named to succeed Douglas W. Leatherdale as chairman and chief executive officer of The St. Paul, effective immediately. Mr. Leatherdale will remain on The St. Paul's board of directors until May 2002.

Item 7. Financial Statements and Exhibits.

- (a) Not applicable.
- (b) Pro Forma Financial Information:
- (i) The St. Paul Companies, Inc. Pro Forma Consolidated, Condensed Balance Sheet as of June 30, 2001.
- (ii) The St. Paul Companies, Inc. Pro Forma Consolidated, Condensed Income Statement for the six months ended June 30, 2001.
- (iii) The St. Paul Companies, Inc. Pro Forma Consolidated, Condensed Income Statement for the year ended December 31, 2000 is incorporated herein by reference to the "Life Insurance Segment" section of "Note 12-Discontinued Operations" to the consolidated financial statements included in The St. Paul Companies, Inc. Quarterly Report on Form

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10-Q for the quarter ended March 31, 2001, and
attached hereto as Exhibit 99(a).

Pro Forma Financial Information The St. Paul Companies, Inc. and Subsidiaries Pro Forma Consolidated, Condensed Balance Sheet As of June 30, 2001

(In millions)	Previously Reported	Pro Forma Adjustments	Restated for Sale of F&G Life
Assets:			
Fixed maturities	\$15,823	\$ -	\$15,823
Other investments	5,202	300 (1)	5,502
Total investments	21,025	300	21,325
Cash	94	339 (2)	433
Reinsurance recoverable on unpaid losses	5,121	-	5,121
Other assets	9,237	(657) (3)	8,580
Total assets	35,477	(18)	35,459
	=====	=====	=====
Liabilities:			
Losses and loss adjustment expense reserves	18,411	-	18,411
Unearned premium reserves	3,908	-	3,908
Total insurance reserves	22,319	-	22,319
Other liabilities	6,289	48 (4)	6,337
Total liabilities	28,608	48	28,656
	-----	-----	-----
Shareholders' equity	6,869	(66) (5)	6,803
	-----	-----	-----
Total liabilities and shareholders' equity	\$35,477	(\$18)	\$35,459
	=====	=====	=====

The pro forma adjustments to the pro forma consolidated condensed balance sheet are as follows:

- (1) Record fair value of Old Mutual plc ordinary shares received in partial consideration for sale of F&G Life.
- (2) Record \$335 million cash proceeds received in partial consideration for sale of F&G Life, and \$4 million cash proceeds received from repayment of intercompany interest receivable.
- (3) Record \$606 million reduction in net assets of discontinued operations to reflect sale of F&G Life, \$50

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million reduction in notes receivable to reflect repayment of surplus note from F&G Life, and \$1 million reduction in accrued interest receivable to reflect the payment of interest on the surplus note.

- (4) Record accrued federal income tax expense of \$36 million and miscellaneous other expenses of \$12 million associated with the sale of F&G Life.
- (5) Record impact on shareholders' equity of net loss resulting from the sale of F&G Life.

Pro Forma Financial Information The St. Paul Companies, Inc. and Subsidiaries Pro Forma Consolidated, Condensed Income Statement For the Six Months Ended June 30, 2001

(In millions, except share data)	Previously Reported	Pro Forma Adjustments	Restated for Sale of F&G Life
Revenues:			
Premiums earned	\$3,371	\$ -	\$3,371
Net investment income	635	-	635
Asset management	170	-	170
Realized investment gains	83	-	83
Other	71	-	71
Total revenues	4,330	-	4,330
Expenses:			
Insurance losses and loss adjustment expenses	2,529	-	2,529
Policy acquisition expenses	736	-	736
Operating and administrative expenses	634	-	634
Total expenses	3,899	-	3,899
Income from continuing operations before income taxes	431	-	431
Income tax expense	126	-	126
Income from continuing operations	305	-	305
Discontinued operations, net of taxes	1	(66) (1)	(65)
Net income	\$ 306	\$ (66)	\$ 240
Basic earnings per common share:			

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Income from continuing operations	\$ 1.37	\$ -	\$ 1.37
Discontinued operations, net of taxes	0.01	(0.31)	\$ (0.30)
	-----	-----	-----
Net income	\$ 1.38	\$ (0.31)	\$ 1.07
	=====	=====	=====

Diluted earnings per common share:

Income from continuing operations	\$ 1.32	\$ -	\$ 1.32
Discontinued operations, net of taxes	0.01	(0.29)	\$ (0.28)
	-----	-----	-----
Net income	\$ 1.33	\$ (0.29)	\$ 1.04
	=====	=====	=====

For purposes of calculating basic earnings per share, weighted average shares outstanding totaled 215.3 million. For purposes of calculating diluted earnings per share, weighted average shares outstanding totaled 228.1 million.

The pro forma adjustment to the pro forma consolidated condensed income statement is as follows:

- (1) Record loss on disposal of F&G Life, net of taxes. Comprised of \$18 million pretax loss on proceeds, \$12 million of pretax expenses associated with the disposal (primarily underwriting fees and bonuses payable to F&G Life executives), and \$36 million of federal income tax expense related to the sale.

(c) Exhibits:

Exhibit No.	Exhibit
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- | | |
|-------|---|
| 2(a) | Stock Purchase Agreement between St. Paul Fire and Marine Insurance Company and Old Mutual plc related to the sale of F&G Life (the "Agreement") is incorporated by reference to Exhibit (2)(a) of The St. Paul Companies, Inc. Quarterly Report on Form 10-Q for the quarter ended March 31, 2001. |
| 2(b) | Letter Agreement between St. Paul Fire and Marine Insurance Company, Old Mutual plc and Old Mutual U.S. Life Holdings, Inc., dated as of September 26, 2001, which amends the Agreement. |
| 99(a) | "Life Insurance Segment" section of "Note 12 - Discontinued Operations" to the consolidated financial statements included in The St. Paul Companies, Inc. Quarterly Report on Form 10-Q for the quarter ended March 31, 2001. |

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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.

THE ST. PAUL COMPANIES, INC.

By /s/ Bruce A. Backberg

Bruce A. Backberg
Senior Vice President

Date: October 15, 2001