

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
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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
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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.