

VESTA INSURANCE GROUP INC
Form 8-K
August 01, 2001

UNITED STATES 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
July 31, 2001
(Date of earliest event reported)

VESTA INSURANCE GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

63-1097283
(I.R.S. Employer
Identification No.)

3760 River Run Drive
Birmingham, Alabama
(Address of principal executive offices)

35243
(Zip Code)

(205) 970-7000
(Registrant's telephone number, including area code)

Item 5. Other Events.

On July 31, 2001, the Registrant issued a press release announcing its results for the second quarter of 2001. A copy of this press release is attached as Exhibit 99.1 and incorporated herein by reference.

Item 7. Financial Statements and Exhibits.

(c) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated July 31, 2001.

SIGNATURE

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, thereto duly authorized.

Dated as of August 1, 2001.

VESTA INSURANCE GROUP, INC.

By: /s/ Donald W. Thornton
Its: Senior Vice President --
General Counsel and Secretary

EXHIBIT 99.1

FOR IMMEDIATE RELEASE

Contact: Charles R. Lambert
Manager Investor Relations
(205) 970-7030
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VESTA ANNOUNCES SECOND QUARTER RESULTS

***Standard Property-Casualty Combined Ratio of 92.0% in 2nd Quarter;
Debt to Total Capital Ratio Drops to 30.4%***

BIRMINGHAM, Ala., -- July 31, 2001 -- Vesta Insurance Group, Inc. (NYSE: VTA) today reported approximately an 14% increase in net operating earnings from continuing operations for the second quarter of 2001 compared to the same period in 2000.

Net operating earnings from continuing operations were \$5.8 million, or \$0.24 per diluted share, for the quarter ending June 30, 2001 compared to \$5.1 million, or \$0.21 per diluted share, for the corresponding period in 2000. For the six months ended June 30, net operating earnings from continuing operations were \$7.5 million, or \$0.33 per diluted share compared to \$3.4 million, or \$0.14 per diluted share for the first half of 2000.

The Company reported net income from continuing operations of \$7.2 million or \$0.30 per diluted share in the second quarter of 2001 compared to \$5.1 million or \$0.21 per diluted share in the corresponding period in 2000. For

the six months ended June 30, net income from continuing operations were \$9.8 million, or \$0.43 per diluted share compared to \$3.4 million, or \$0.14 per diluted share for the first half of 2000.

"We remain on track of reaching our previously announced target for 2001 of providing a 12% return on equity," said James E. Tait, Chairman of Vesta. In addition, we're pleased to report that our debt to total capital ratio has been reduced to 30.4% as of June 30."

Segment Results

Net written premium for Vesta's standard property-casualty segment increased 16% to \$64.8 million for the quarter ending June 30, 2001 compared to the same period in 2000. The increase in net written premium is mostly due to the acquisition of Florida Select. The standard property-casualty segment's GAAP combined ratio was 92.0% in the second quarter of 2001. This is the fifth consecutive quarter that Vesta's standard property-casualty combined ratio has been under 100%.

"The strong underwriting results from our standard property-casualty segment is due to a significant portion of our business being in Hawaii, and Florida," said Norman W. Gayle, III, President of Vesta. "Over the past two years, we have continually refined our book of business and we expect these type of results barring catastrophes."

Vesta's life and health segment continues to provide solid results, earning \$2.4 million in net income in the quarter. Vesta's non-standard segment showed approximately \$.3 million loss in the second quarter and is expected to turn positive by the end of 2001.

Vesta management will hold its quarterly conference call to discuss the first quarter results on August 1, 2001 at 10:00 a.m. EST. The conference call will be simultaneously webcast live online through Vesta's corporate website, www.vesta.com and <http://www.videonewswire.com/event.asp?id=405>.

About Vesta Insurance Group, Inc.

Vesta, headquartered in Birmingham, Ala., is a holding company for a group of insurance and financial services companies that offer a wide range of consumer-based products.

This news release contains statements concerning management's beliefs, plans or objectives for Vesta's future operations or financial performance, including return on stockholders equity, the company's standard property-casualty combined ratio, and segment profitability. These statements, whether expressed or implied, are only predictions and should be considered "forward-looking statements" under applicable securities laws. You should be aware that Vesta's actual operations and financial performance, including its combined ratio for the fiscal year ended December 31, 2001, may differ materially from those reflected in these forward-looking statements. Some of the factors that could affect the forward-looking statements contained herein include, without limitation: that competitors may decide to target the Company's customer base by offering lower priced insurance; that the Company's independent agents may decide to discontinue sales of the Company's insurance to the individuals they represent; that new policy application levels may not rise to levels necessary to generate sufficient premium volume to achieve its financial performance goals; that A.M. Best may downgrade the Company's rating; that Vesta may be compelled to pay damages or settlement costs incurred in connection with a pending class action lawsuit in excess of available coverage under Vesta's Directors' and Officers' insurance policies; and that Vesta may ultimately be unable to recover a significant amount of paid losses currently reflected on its published financial statements as recoverable under a reinsurance treaty. Please refer to the documents Vesta files from time to time with the Securities and Exchange Commission, specifically Vesta's most recent Form 10-K and Exhibit 99.1 attached thereto, which contains and identifies additional important factors that could cause the actual results to differ materially from those contained

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in the projections or forward-looking statements.

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	2nd Quarter 2001 (amounts in thousands)				
	Life & Health Insurance		Standard Property-Casualty		Non-Standard
	2001	2000	2001	2000	2001
Revenues:					
Net premiums written	\$ 7,482	--	\$ 64,773	\$ 55,896	--
Decrease in unearned premiums	--	--	(67)	(3,758)	--
Net premiums earned	7,482	--	64,706	52,138	--
Net investment income	11,010	--	--	--	\$ 103
Policy fees	1,052	--	676	239	--
Other	183	--	420	--	356
Total revenues	19,727	--	65,802	52,377	459
Expenses:					
Policyholder benefits	8,938	--	--	--	--
Loss and LAE expenses incurred	--	--	37,573	25,815	--
Policy acquisition expenses	1,934	--	14,519	11,994	--
Operating expenses	2,806	--	8,043	6,484	1,438
Interest on debt	2,198	--	--	--	--
Goodwill and other intangible amortization	--	--	--	--	--
Total expenses	15,876	--	60,135	44,293	1,438
Income (loss) from continuing operations before income taxes deferrable capital securities, and minority interest	3,851	--	5,667	8,084	(979)
Income taxes (benefit)	1,062	--	2,211	2,782	(343)
Deferrable capital securities, net of tax	--	--	--	--	--
Minority interest in subsidiary, net of tax	717	--	--	--	(305)
Net operating earnings (loss) from continuing operations*	\$ 2072	--	\$ 3,456	\$ 5,302	\$ (331)
Realized gains, net of tax and minority interest	296	--	--	--	--
Net income (loss) from continuing operations	\$ 2,368	--	\$ 3,456	\$ 5,302	\$ (331)

*Excludes realized investment gains and losses

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	2001	2000	2001	2000	2001
Revenues:					
Net premiums written	\$ 14,947	--	\$ 116,998	\$ 105,023	--
Decrease in unearned premiums	--	--	4,555	3,680	--
Net premiums earned	14,947	--	121,553	108,703	--
Net investment income	21,790	--	--	--	\$ 260
Policy fees	1,950	--	1,031	239	--
Other	235	--	420	--	798
Total revenues	38,922	--	123,004	108,942	1,058
Expenses:					
Policyholder benefits	16,995	--	--	--	--
Loss and LAE expenses incurred	--	--	75,475	65,594	--
Policy acquisition expenses	4,024	--	26,577	24,437	--
Operating expenses	6,567	--	14,405	13,127	2,827
Interest on debt	4,628	--	--	--	--
Goodwill and other intangible amortization	--	--	--	--	--
Total expenses	32,214	--	116,457	103,158	2,827
Income (loss) from continuing operations before income taxes deferrable capital securities, and minority interest	6,708	--	6,547	5,784	(1,769)
Income taxes (benefit)	2,050	--	2,577	1,933	(619)
Deferrable capital securities, net of tax	--	--	--	--	--
Minority interest in subsidiary, net of tax	1,108	--	--	--	(552)
Net operating earnings (loss) from continuing operations	\$ 3,550	--	\$ 3,970	\$ 3,851	\$ (598)
Realized gains, net of tax and minority interest	551				
Net income (loss) from continuing operations	\$ 4,101	--	\$ 3,970	\$ 3,851	\$ (598)

*Excludes realized investment gains and losses

Vesta Insurance Group, Inc.
Quarter vs. Quarter and YTD vs. YTD
(amounts in thousands, except share data)

	3 Months Ended June 30,	
	2001	2000
Revenues:		
Net premiums written	\$ 74,255	\$ 55,896
Decrease in unearned premiums	(64)	(3,758)
Net premiums earned	74,191	52,138
Net investment income	17,110	5,258
Policy Fees	1,728	239
Other	2,596	1,085

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Total revenues	95,625	58,720
Expenses:		
Policyholder benefits	8,938	-
Loss and LAE expenses incurred	39,071	25,815
Policy acquisition expenses	16,874	11,994
Operating expenses	15,236	8,941
Interest on debt	4,487	2,763
Goodwill and other intangible amortization	969	603
	-----	-----
Total expenses	85,575	50,116
Income from continuing operations before income taxes		
deferrable capital securities, and minority interest	10,050	8,604
Income taxes	3,458	2,961
Deferrable capital securities, net of tax	383	571
Minority interest in subsidiary, net of tax	412	-
	-----	-----
Net operating earnings from continuing operations	5,797	5,072
Realized gains/losses, net of tax and minority interest	1,418	-
Net income from continuing operations	7,215	5,072
Income (loss) from discontinued operations, net of tax	(163)	(2,833)
Extraordinary gain on debt extinguishments, net of tax	-	683
Net income	7,052	2,922
Gain on redemption of preferred securities	-	-
Preferred stock dividend	-	(563)
	-----	-----
Income available to common shareholders	\$ 7,052	\$ 2,359
	=====	=====
Weighted average diluted shares outstanding for the period	24,282	24,249
Net operating earnings from continuing operations earnings per share	\$ 0.24	\$ 0.21
Realized gains per share	\$ 0.06	\$ -
Net income from continuing operating earnings per share	\$ 0.30	\$ 0.21
Income available to common shareholders per share	\$ 0.29	\$ 0.12

Vesta Insurance Group, Inc.
Condensed Consolidated Balance Sheet
(amounts in thousands)

	June 30, 2001	Mar
	-----	-----
Assets:		
Invested assets	\$ 1,016,237	
Cash	76,328	
Other assets	691,952	
	-----	-----
Total assets	\$ 1,784,517	\$
	=====	=====
Liabilities:		
Future policy benefits	\$ 664,137	
Losses and loss adjustment expenses	250,614	
Unearned premiums	138,804	
Debt	91,427	

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Other liabilities	331,995	
	-----	-----
Total liabilities	1,476,977	
Deferrable capital securities	29,750	
Stockholders' equity	277,790	
	-----	-----
Total liabilities and stockholders' equity	\$ 1,784,517	\$
	=====	=====
Book value per share	\$ 8.59	
Book value per share excluding unrealized investment gains and losses	8.36	
Shares Outstanding at period end*	32,328	

* Excludes shares in the Vesta Agents Stock Incentive Plan Trust