

VESTA INSURANCE GROUP INC
Form 8-K
August 09, 2002

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
August 8, 2002
(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 August 8, 2002, the Registrant issued a press release announcing its results for the second quarter of 2002. 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 August 8, 2002.

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 8, 2002.

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
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VESTA REPORTS SECOND QUARTER RESULTS

2nd Quarter Revenue Increased by 80% Compared to Prior Year Period

BIRMINGHAM, Ala. - August 8, 2002 - Vesta Insurance Group, Inc. (NYSE: VTA) today reported, primarily as a result of previously announced catastrophe losses, an operating loss from continuing operations of \$1.0 million, or \$0.03 per diluted share, for the quarter ending June 30, 2002 compared to operating earnings of \$5.8 million, or \$0.24 per diluted share, for the corresponding period in 2001. Net premiums written for the quarter were \$155.9 million compared to \$74.3 million in the second quarter of 2001, a 110% increase. On July 18, Vesta announced that it expected to report an operating loss between \$0.02 and \$0.05 per share.

For the six months ended June 30, Vesta reported a net operating loss from continuing operations of \$0.6 million, or \$0.02 per diluted share, compared to earnings of \$7.5 million or \$0.33 per diluted share for the first six months of 2001.

Including non-operating items, the Company reported a net loss from continuing operations of \$2.0 million, or \$0.06 per diluted share, in the second quarter of 2002 compared to earnings of \$7.2 million, or \$0.30 per diluted share, in the corresponding period in 2001. For the six months ended June 30, Vesta reported a net loss from continuing operations of \$1.1 million or \$0.03 per diluted share compared to earnings of \$9.8 million or \$0.43 per diluted share.

Vesta incurred a previously announced after-tax charge of \$9.5 million in discontinued operations primarily due to the completion of an arbitration with F&G Re and recorded \$1.0 million in realized losses, partially due to the Company's \$1.0 million pre-tax exposure to WorldCom bonds.

"Our underlying segment fundamentals improved compared to the first quarter of 2002 and we continued to achieve significant growth," said Norman W. Gayle, III, President. "We are optimistic that these trends will continue and we will begin to achieve our targeted annual run rate of a 10% return on equity from continuing operations in the 3rd or 4th quarters of 2002."

Segment Results

Vesta's non-standard automobile business continued to grow and produced excellent results. Operating earnings from continuing operations for the non-standard automobile agency and specialty underwriting segments rose by 21% and 33%, respectively, compared to the first quarter of 2002. Both of these segments have grown significantly in the past 9 months and management anticipates continued growth and profitability.

Vesta's standard property-casualty business reported net written premium of \$104.9 million in the first quarter of 2002 compared to \$64.8 million in the same period of 2001, a 62% increase. The Company's GAAP combined ratio for its residential property business was 106.6%. Excluding catastrophe losses, the residential property combined ratio was 98.3%. The standard auto combined ratio improved 16 points compared to the first quarter of 2002 to 103.1%. Excluding catastrophes, the standard property-casualty ratio was 98.3% for the quarter and 99.8% for the six months ended June 30, 2002.

"We are very pleased with the turnaround and improvement of the standard auto results," said Gayle. "As we indicated in the previous quarter, the residential property business is growing significantly and we expect continued attractive underwriting results, barring excessive catastrophes."

Vesta's life and health segment posted net income of \$1.6 million in the quarter. The segment's results were lower than expectations due primarily to higher than anticipated mortality that began in the first quarter and ran into April. The mortality returned to expected levels in May and June.

During the second quarter, Vesta repurchased 30,100 shares of its common stock at a price between \$4.18 and \$4.35.

Vesta's CEO and CFO intend to certify the Company's financial results in the 10-Q that will be filed on or before August 14 as required by the Sarbanes-Oxley Act of 2002.

Vesta management will hold its quarterly conference call to discuss second quarter 2002 results on August 9, 2002 at 10 AM EST. The conference call will be simultaneously webcast live online through Vesta's corporate website, www.vesta.com and <http://www.firstcallevnts.com/service/ajwz362385012gf12.html>.

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.

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This news release contains statements concerning management's beliefs, plans or objectives for Vesta's future operations or financial performance, including return on equity, segment growth and 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 may differ materially from those reflected in these forward-looking statements. The main factor that could affect the forward-looking statements contained herein is that frequency and severity of insured losses in our standard property-casualty segment or specialty underwriting segment could increase beyond expected levels. 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 in the projections or forward-looking statements.

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Vesta Insurance Group, Inc
2nd Quarter 2002 Segment Comparison
(amounts in thousands)

	Life and Health Insurance		Standard Property-Casualty		Agency	
	2002	2001	2002	2001	2002	2001
Revenues:						
Net premiums written	\$7,562	\$7,482	\$104,907	\$64,773	--	--
(Increase) decrease in unearned premiums	--	--	(24,394)	(67)	--	--
Net premiums earned	7,562	7,482	80,513	64,706	--	--
Net investment income	9,338	11,010	--	--	--	\$1
Policy fees	1,133	1,052	1,290	676	--	--
Agents fees and commissions	--	--	--	--	\$26,172	3
Other	320	183	225	420	--	--
Total revenues	18,353	19,727	82,028	65,802	26,172	4
Expenses:						
Policyholder benefits	11,104	8,938	--	--	--	--
Loss and LAE expenses incurred	--	--	60,046	37,573	--	--
Policy acquisition expenses	863	1,934	16,717	14,519	--	--
Operating expenses	3,551	2,806	10,092	8,043	22,671	1,4
Interest on debt	1,588	2,198	--	--	454	--
Goodwill and other intangible amortization	--	--	--	--	--	--
Total expenses	17,106	15,876	86,855	60,135	23,125	1,4
Income (loss) from continuing operations before income taxes						
deferrable capital securities, and minority interest	1,247	3,851	(4,827)	5,667	3,047	(9
Income taxes (benefit)	436	1,062	(1,689)	2,210	1,066	(3
Deferrable capital securities, net of tax	--	--	--	--	--	--
Minority interest in subsidiary, net of tax	115	717	--	--	182	(3
Net operating earnings (loss)*	\$696	\$2,072	\$(3,138)	\$3,457	\$1,799	\$(3

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Realized gains (loss), net of tax and minority interest	919	296				
Net income (loss) from continuing operations	\$1,615	\$2,368	\$(3,138)	\$ 3,457	\$1,799	\$(331)

*Excludes realized investment gains and losses

Vesta Insurance Group, Inc
2002 YTD Segment Comparison
(amounts in thousands)

	Life and Health Insurance		Standard Property-Casualty		Agency	
	2002	2001	2002	2001	2002	2001
Revenues:						
Net premiums written	\$15,636	\$14,947	\$202,627	\$116,998	--	--
(Increase) decrease in unearned premiums	--	--	(54,271)	4,555	--	--
Net premiums earned	15,636	14,947	148,356	121,553	--	--
Net investment income	18,757	21,790	--	--	--	\$ 2
Policy fees	2,116	1,950	2,592	1,031		
Agents fees and commissions	--	--	--	--	\$49,760	7
Other	657	235	225	420	--	--
Total revenues	37,166	38,922	151,173	123,004	49,760	1,0
Expenses:						
Policyholder benefits	21,749	16,995	--	--	--	--
Loss and LAE expenses incurred	--	--	107,125	75,475	--	--
Policy acquisition expenses	2,486	4,024	32,132	26,577	--	--
Operating expenses	6,837	6,567	19,264	14,405	43,407	2,8
Interest on debt	3,164	4,628	--	--	574	--
Goodwill and other intangible amortization	--	--	--	--	--	--
Total expenses	34,236	32,214	158,521	116,457	43,981	2,8
Income (loss) from continuing operations before income taxes						
deferrable capital securities, and minority interest	2,930	6,708	(7,348)	6,547	5,779	(1,
Income taxes (benefit)	1,025	2,050	(2,571)	2,577	2,022	(
Deferrable capital securities, net of tax	--	--	--	--	--	--
Minority interest in subsidiary, net of tax	151	1,108	--	--	427	(5
Net operating earnings (loss)*	\$ 1,754	\$ 3,550	\$ (4,777)	\$ 3,970	\$ 3,330	\$ (5
Realized gains (loss), net of tax and minority interest	1,262	551				
Net income (loss) from continuing						

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operations \$3,016 \$4,101 \$(4,777) \$ 3,970 \$ 3,330 \$ (59)
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*Excludes realized investment gains and losses

Vesta Insurance Group, Inc
Second Quarter Results
(amounts in thousands, except share data)

	3 Months Ended June 30, 2002	2001
Revenues:		
Net premiums written	\$ 155,853	\$ 74,255
(Increase) decrease in unearned premiums	(27,212)	(64)
	128,641	74,191
Net premiums earned	128,641	74,191
Net investment income	13,799	17,110
Policy fees	5,505	1,728
Agents fees and commissions	20,731	356
Other	3,799	2,240
	172,475	95,625
Total revenues	172,475	95,625
Expenses:		
Policyholder benefits	11,104	8,938
Loss and LAE expenses incurred	84,236	39,071
Policy acquisition expenses	24,292	16,874
Operating expenses	49,521	15,236
Interest on debt	3,895	4,487
Goodwill and other intangible amortization	84	969
	173,132	85,575
Total expenses	173,132	85,575
Income (loss) from continuing operations before income taxes, deferrable capital securities, and minority interest	(657)	10,050
Income taxes	(230)	3,457
Deferrable capital securities, net of tax	322	383
Minority interest in subsidiary, net of tax	297	412
	(1,046)	5,798
Net operating earnings (loss)	(1,046)	5,798
Realized gains (losses), net of tax and minority interest	(973)	1,417
Net income (loss) from continuing operations	(2,019)	7,215
Loss from discontinued operations, net of tax	(9,464)	(163)
Extraordinary gain on debt extinguishments, net of tax	-	-
Net income (loss)	(11,483)	7,052
Gain on redemption of preferred securities	-	-
Preferred stock dividend	-	-
	\$ (11,483)	\$ 7,052
Income (loss) available to common shareholders	\$ (11,483)	\$ 7,052

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Weighted average diluted shares outstanding for the period	33,780	24,282
Net operating earnings (loss) from continuing operations earnings per share	\$ (0.03)	\$ 0.24
Realized gains (losses) per share	\$ (0.03)	\$ 0.06
Net income (loss) from continuing operations per share	\$ (0.06)	\$ 0.30
Income (loss) available to common shareholders per share	\$ (0.34)	\$ 0.29

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

	June 30, 2002
Assets:	
Invested assets	\$ 1,088,052
Cash	36,566
Other assets	934,576

Total assets	\$ 2,059,194
	=====
Liabilities:	
Future policy benefits	\$ 681,222
Losses and loss adjustment expenses	320,202
Unearned premiums	293,915
Debt	103,768
Other liabilities	385,464

Total liabilities	1,784,571
Deferrable capital securities	22,445
Stockholders' equity	252,178

Total liabilities and stockholders' equity	\$ 2,059,194
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Equity per share	\$ 7.06
Equity per share excluding unrealized investment gains and losses	6.86
Shares Outstanding at period end*	35,696

* Excludes shares in the Vesta Agents Stock Incentive Plan Trust