

VESTA INSURANCE GROUP INC
Form 8-K
April 29, 2003

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
April 28, 2003
(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 9. Regulation FD Disclosure

On April 28, 2003, the Registrant issued a press release announcing its results for the first quarter of 2003. A copy of this press release is attached as Exhibit 99.1 and incorporated herein by reference.

The registrant is furnishing this information under Items 9 and 12 of Form 8-K.

Item 7. Financial Statements and Exhibits.

(c) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated April 28, 2003.

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 April 28, 2003.

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
Vice President Investor Relations
(205) 970-7030
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VESTA REPORTS FIRST QUARTER RESULTS

*Non-Standard Auto Generates \$4.9 Million in Net Income;
Standard Auto Improves to a 95.6% Combined Ratio*

BIRMINGHAM, Ala. - April 28, 2003 - Vesta Insurance Group, Inc. (NYSE: VTA) today reported net operating earnings of \$2.6 million, or \$0.08 per share in the first quarter compared to net operating earnings of \$.4 million, or \$0.01 per share for the corresponding period in 2002. Net income from continuing operations was \$4.9 million, or \$0.14 per share for the quarter ending March 31, 2003 compared to net income from continuing operations of \$1.7 million, or \$0.05 per share in the first quarter of 2002. Net operating earnings is a non-GAAP measure which excludes certain items, such as realized gains and losses and gains on debt extinguishments. (A reconciliation of net operating earnings to net income from continuing operations is included herein.) Net earned premium for the quarter was \$118.9 million compared to \$106.8 million in the first quarter of 2002.

"The centerpiece of our first quarter results is the growth and performance of our non-standard auto business - both in the agency and underwriting operations," said Norman W. Gayle, III, President and CEO.

The first quarter is typically the strongest for the non-standard auto business, and Vesta's non-standard agency and underwriting businesses generated \$4.9 million of net income from continuing operations combined in the first quarter of 2003 compared to \$3.1 million in the same period in 2002. The non-standard auto underwriting segment posted a 95.2% combined ratio for the first quarter of 2003.

"Tom Mangold and our non-standard auto team have done an excellent job staying focused on execution while integrating various aspects of the companies that we acquired over the past 18 months," said Gayle.

The Company's life insurance operations posted net income from continuing operations of \$1.2 million on improved mortality compared to the corresponding period in 2002, partially offset by reduced investment rates and increased amortization of acquisition costs.

Vesta's standard property-casualty segment posted a net loss from continuing operations of \$2.1 million in the first quarter of 2003 compared to a net loss from continuing operations of \$1.6 million in the first quarter of 2002. The standard property-casualty segment GAAP combined ratio was 104.3% for the first quarter of 2003 compared to 103.6% for the same period in 2002. The standard auto business GAAP combined ratio was 95.6% for the first quarter of 2003 compared to 119.1% in the first quarter of 2002. The residential property GAAP combined ratio was 106.9% in the first quarter of 2003 compared to 98% in the corresponding period last year.

"Our standard auto results have shown consistent improvement since the first quarter of 2002 with three consecutive quarters of profitability," said Gayle. "Our residential property business experienced abnormally high loss severity related to fires and winter weather in the Mid-Atlantic and Northeast. While our standard property-casualty business is subject to volatility from weather events, we remain optimistic about the improving fundamentals for profitability in this business."

In the first week of April, a severe hailstorm caused approximately \$1.2 billion of total losses to the industry, including an estimated \$540 million of residential property losses in Texas, according to the Insurance Services Office. Texas Select, Vesta's residential property subsidiary in Texas, is currently estimated to have approximately \$10 to \$12 million in pre-tax losses, net of its 50% Texas quota share, in the second quarter as a result of this storm. Texas Select, which reported a 42% direct loss ratio in the first quarter, is expected to report a direct loss ratio in excess of 80% in the second quarter and barring additional catastrophes, the Company forecasts a direct loss ratio less than 60% in Texas for the entire year.

"Although this storm will adversely impact earnings for the second quarter, our losses from this event are estimated to be approximately 20% less than our 6% market share would indicate. This is reflective of our disciplined underwriting, geographic dispersion of risk, and the use of wind and hail deductibles," said Gayle.

As previously discussed, Vesta is in arbitration with three reinsurers related to a 20 percent whole account quota share treaty. Vesta announced today that its hearing, scheduled for May 13, 2003, with ALFA Mutual Insurance Company has been delayed indefinitely due to a lawsuit recently filed by ALFA in Alabama state court concerning procedural issues related to the ongoing arbitration. Also, in the Dorinco Reinsurance Company arbitration, a preliminary hearing is scheduled for April 29, 2003 regarding coverage for developmental losses under the treaty.

Vesta management will hold its quarterly conference call to discuss first quarter 2003 results on April 29, 2003 at 10 AM EST. The conference call will be simultaneously webcast live online through Vesta's corporate website, www.vesta.com and <http://www.firstcallevts.com/service/ajwz379639578gf12.html>.

About Vesta Insurance Group, Inc.

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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 segment growth and profitability, an estimate of losses related to a Texas hail storm and forecast losses for the remainder of 2003. 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 factors that could affect the forward-looking statements contained herein are that frequency and severity of insured losses in our standard property-casualty segment or that an arbitration panel issues a formal ruling that causes us to adjust our estimates of reinsurance recoverables. 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.						
1st Quarter 2003 Segment Comparison						
(amounts in thousands)						
	Life Insurance		Standard Property-Casualty		Non-Standard Agency	
	2003	2002	2003	2002	2003	2002
Revenues:						
Net premiums written	\$ 2,410	\$ 3,057	\$ 82,980	\$ 97,720	--	
(Increase) decrease in unearned premiums	--	--	(5,161)	(29,877)	--	
Net premiums earned	2,410	3,057	77,819	67,843	--	
Net investment income	7,695	9,306	--	--	--	
Policy fees	493	983	2,062	1,302	--	
Agents fees and commissions	--	--	--	--	\$ 38,922	\$ 32,500
Other	642	337	242	-	--	
Total revenues	11,240	13,683	80,123	69,145	38,922	32,500
Expenses:						
Policyholder benefits	5,090	7,828	--	--	--	
Loss and LAE expenses incurred	--	--	53,445	47,079	--	
Policy acquisition expenses	369	143	18,800	15,415	--	
Operating expenses	2,452	2,458	11,104	9,172	33,969	29,700
Interest on debt	1,453	1,576	--	--	--	1,000
Goodwill and other intangible amortization	--	--	--	--	--	
Total expenses	9,364	12,005	83,349	71,666	33,969	29,800
Income (loss) from continuing operations before income taxes, deferrable capital securities,						

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and minority interest	1,876	1,678	(3,226)	(2,521)	4,953	2,7
Income tax expense (benefit)	657	587	(1,129)	(882)	1,734	9
Deferrable capital securities, net of tax	--	--	--	--	--	
Minority interest in subsidiary, net of tax	-	36	--	--	286	2

Net operating earnings (loss) from continuing operations	\$1,219	\$1,055	\$ (2,097)	\$ (1,639)	\$2,933	\$1,5
	=====					
Realized gains (loss), net of tax	(4)	343				
Gain on debt extinguishments, net of tax						

Net income from continuing operations	\$ 1,215	\$ 1,398	\$ (2,097)	\$ (1,639)	\$2,933	\$1,5
	=====					

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

		3 Months End 2003

Revenues:		
Net premiums written		\$ 132,353
(Increase) decrease in unearned premiums		(13,453)

Net premiums earned		118,900
Net investment income		11,615
Policy fees		7,638
Agents fees and commissions		20,877
Other		1,943

Total revenues		160,973
Expenses:		
Policyholder benefits		5,090
Loss and LAE expenses incurred		79,957
Policy acquisition expenses		25,475
Operating expenses		42,218
Interest on debt		3,158
Goodwill and other intangible amortization		84

Total expenses		155,982
Income (loss) from continuing operations before income taxes, deferrable capital securities, and minority interest		4,991
Income taxes		1,748
Deferrable capital securities, net of tax		311
Minority interest in subsidiary, net of tax		286

Net operating earnings (loss) from continuing operations		2,646

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Realized gains (losses), net of tax and minority interest	2,281
Gain on debt extinguishments, net of tax	-

Net income (loss) from continuing operations	4,927
Gain (loss) from health insurance discontinued operations, net of tax	(598)
Gain (loss) from consulting discontinued operations, net of tax	(392)
Loss from assumed reinsurance and commercial lines, net of tax	(263)

Net income (loss)	3,674
Gain on redemption of preferred securities, net of tax	-

Income (loss) available to common shareholders	\$ 3,674
	=====
Weighted average shares outstanding for the period	34,907
Net operating earnings (loss) from continuing operations earnings per share	\$ 0.08
Realized gains (losses) per share	\$ 0.06
Net income (loss) from continuing operations per share	\$ 0.14
Income (loss) available to common shareholders per share	\$ 0.11

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

	March 31, 2003

Assets:	
Invested assets	\$ 1,056,403
Cash	78,641
Other assets	914,915

Total assets	\$ 2,049,959
	=====
Liabilities:	
Future policy benefits	\$ 671,143
Losses and loss adjustment expenses	323,076
Unearned premiums	336,208
Debt	85,798
Other liabilities	373,008

Total liabilities	1,789,233
Deferrable capital securities	22,445

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Stockholders' equity	238,281
<hr/>	
Total liabilities and stockholders' equity	\$ 2,049,959
<hr/>	
Equity per share	\$ 6.68
Equity per share excluding unrealized investment gains and losses	\$ 6.27
Shares outstanding at period end	35,678

Vesta Insurance Group, Inc
Reconciliation of Operating Earnings to Net Income
(amounts in thousands, except share data)

	3 Months Ended March 31, 2003	2002
	<hr/>	<hr/>
Net operating earnings (loss)	\$ 2,646	\$ 351
Special items:		
Realized gains (losses), net of tax and minority interest	2,281	436
Gain on debt extinguishments, net of tax	-	897
Net income (loss) from continuing operations	\$ 4,927	\$ 1,684
Gain (loss) from health insurance discontinued operations, net of tax	(598)	3
Gain (loss) from consulting discontinued operations, net of tax	(392)	126
Loss from assumed reinsurance and commercial lines, net of tax	(263)	(64)
	<hr/>	<hr/>
Net income (loss)	\$ 3,674	\$ 1,749
	<hr/>	<hr/>
Gain on redemption of preferred securities, net of tax	-	210
Income (loss) available to common shareholders	\$ 3,674	\$ 1,959
	<hr/>	<hr/>
Diluted earnings per share:		
Net operating earnings (loss)	\$ 0.08	\$ 0.01
Special items:		
Realized gains (losses), net of tax and minority interest	\$ 0.06	\$ 0.01
Gain on debt extinguishments, net of tax	\$ -	\$ 0.03
	<hr/>	<hr/>
Net income (loss) from continuing operations	\$ 0.14	\$ 0.05
	<hr/>	<hr/>
Gain (loss) from health insurance discontinued operations, net of tax	\$ (0.02)	\$ 0.00
Gain (loss) from consulting discontinued operations, net of tax	\$ (0.01)	\$ 0.00

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Loss from assumed reinsurance and commercial lines, net of tax	\$ (0.00)	\$ (0.00)
	-----	-----
Net income (loss)	\$ 0.11	\$ 0.05
	-----	-----
Gain on redemption of preferred securities, net of tax	\$ -	\$ 0.01
	-----	-----
Income (loss) available to common shareholders	\$ 0.11	\$ 0.06
	=====	=====
Shares used in computing per share amounts:		
Weighted average shares outstanding for the period	34,907	33,842
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The above table reconciles the Company's GAAP results to net operating earnings. Management believes that net operating earnings provides investors with a useful indicator to gauge possible future performance because it eliminates the effects of items that could cause significant impact to the Company's financial results from one period to another.