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JEFFERSON PILOT CORP
Form 10-Q
November 13, 2001

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended September 30, 2001

Commission file number 1-5955

Jefferson-Pilot Corporation
(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction of
incorporation or organization)

56-0896180
(I.R.S. Employer
Identification No.)

100 North Greene Street, Greensboro, North Carolina
(Address of principal executive offices)

27401
(Zip Code)

(336) 691-3000
(Registrant's telephone number, including area code)

Indicate whether the registrant (1) has filed all reports required to be
filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months and (2) has been subject to such filing requirements
for the past 90 days. Yes X No
 ----- -----

Number of shares of common stock outstanding at September 30, 2001 150,451,507

JEFFERSON-PILOT CORPORATION

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Part I. Financial Information
Consolidated Unaudited Condensed Balance Sheets
- September 30, 2001 and December 31, 2000

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES
CONSOLIDATED UNAUDITED CONDENSED BALANCE SHEETS
(Dollar Amounts in Millions Except Share Information)

	September 30 2001 -----	December 31 2000 -----
ASSETS		
Investments:		
Debt securities available for sale, at fair value (amortized cost \$13,826 and \$12,919)	\$14,276	\$12,978
Debt securities held to maturity, at amortized cost (fair value \$3,486 and \$3,134)	3,367	3,130
Equity securities available for sale, at fair value (cost \$31 and \$64)	506	551
Mortgage loans on real estate	2,979	2,771
Policy loans	935	923
Real estate	133	135
Other investments	22	11
	-----	-----
Total investments	22,218	20,499
Cash and cash equivalents	109	26
Accrued investment income	286	272
Due from reinsurers	1,427	1,450
Deferred policy acquisition costs and value of business acquired	1,935	1,959
Cost in excess of net assets acquired	315	323
Assets held in separate accounts	1,926	2,311
Other assets	488	481
	-----	-----
Total assets	\$28,704 =====	\$27,321 =====

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LIABILITIES AND STOCKHOLDERS' EQUITY

Policy liabilities:			
Future policy benefits		\$ 2,545	\$ 2,655
Policyholder contract deposits		17,548	16,555
Dividend accumulations and other policyholder funds			
on deposit		246	191
Policy and contract claims		177	176
Other		471	388
		-----	-----
Total policy liabilities		20,987	19,965
Debt:			
Commercial paper and revolving credit borrowings		490	405
Exchangeable Securities and other debt		150	139
Securities sold under repurchase agreements		459	397
Currently payable income taxes		85	60
Deferred income tax liabilities		343	212
Liabilities related to separate accounts		1,926	2,311
Accounts payable, accruals and other liabilities		522	373
		-----	-----
Total liabilities		24,962	23,862
		-----	-----
Commitments and contingent liabilities			
Guaranteed preferred beneficial interest in			
subordinated debentures ("Capital Securities")		300	300
Stockholders' Equity:			
Common stock and paid in capital, par value \$1.25			
per share: authorized 350,000,000 shares; issued			
and outstanding 2001-150,451,507 shares;			
2000-154,305,846 shares		188	131
Retained earnings		2,753	2,683
Accumulated other comprehensive income -			
net unrealized gains on securities		501	345
		-----	-----
		3,442	3,159
		-----	-----
Total liabilities and stockholders' equity		\$28,704	\$27,321
		=====	=====

See Notes to Consolidated Condensed Financial Statements

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JEFFERSON-PILOT CORPORATION
CONSOLIDATED UNAUDITED CONDENSED STATEMENTS OF INCOME
(In Millions Except Per Share Information)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenue:				
Premiums and other considerations	\$ 359	\$ 337	\$1,057	\$1,011
Net investment income	391	356	1,133	1,068
Realized investment gains	24	26	111	105
Communications sales	45	48	143	150
Other	26	40	84	96

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Total revenue	845	807	2,528	2,430
Benefits and Expenses:				
Insurance and annuity benefits	465	407	1,325	1,214
Insurance commissions, net of deferrals	29	39	95	79
General and administrative expenses, net of deferrals	60	60	187	189
Amortization of policy acquisition costs and value of business acquired	54	71	180	228
Communications operations	28	27	90	89
Total benefits and expenses	636	604	1,877	1,799
Income before income taxes	209	203	651	631
Provision for income taxes	70	68	218	215
Income before dividends on Capital Securities and cumulative effect of change in accounting principle	139	135	433	416
Dividends on Capital Securities	(6)	(6)	(18)	(18)
Cumulative effect of change in accounting for derivative instruments, net of income taxes (Note 5)	-	-	1	-
Net income available to common stockholders	\$ 133	\$ 129	\$ 416	\$ 398
Net income available to common stockholders, before dividends on Capital Securities	\$ 139	\$ 135	\$ 434	\$ 416
Other comprehensive income - change in net unrealized gains on securities	132	92	156	(14)
Comprehensive income	\$ 271	\$ 227	\$ 590	\$ 402
Average number of shares outstanding	152.0	154.5	152.5	154.7
Net Income Per Share of Common Stock:				
Net income available to common stockholders before realized investment gains and cumulative effect of change in accounting principle, net of income taxes	\$ 0.78	\$ 0.73	\$ 2.25	\$ 2.13
Realized investment gains, net of income taxes	0.10	0.11	0.47	0.45
Cumulative effect of change in accounting for derivative instruments, net of income taxes	-	-	0.01	-
Net income available to common stockholders	\$ 0.88	\$ 0.84	\$ 2.73	\$ 2.58
Net income available to common stockholders - assuming dilution	\$ 0.87	\$ 0.83	\$ 2.70	\$ 2.55

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	=====	=====	=====	=====
Dividends declared per common share	\$ 0.275	\$ 0.246	\$ 0.825	\$ 0.740
	=====	=====	=====	=====

See Notes to Consolidated Condensed Financial Statements

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JEFFERSON-PILOT CORPORATION
CONSOLIDATED UNAUDITED CONDENSED
STATEMENTS OF CASH FLOWS
(In Millions)

	Nine Months Ended September 30	
	2001	2000
	-----	-----
Net cash provided by operations	\$ 590	\$ 302
	-----	-----
Cash Flows from Investing Activities:		
Investments purchased, net	(1,195)	(464)
Other investing activities	(25)	(28)
	-----	-----
Net cash used in investing activities	(1,220)	(492)
	-----	-----
Cash Flows from Financing Activities:		
Policyholder contract deposits, net	2,126	2,056
Policyholder contract withdrawals, net	(1,256)	(1,579)
Net short-term borrowings (repayments)	148	(134)
Repurchase of common shares, net	(166)	(21)
Cash dividends paid	(140)	(135)
Other financing activities	1	2
	-----	-----
Net cash provided by financing activities	713	189
	-----	-----
Increase (Decrease) in cash and cash equivalents	83	(1)
Cash and cash equivalents at beginning of period	26	62
	-----	-----
Cash and cash equivalents at end of period	\$ 109	\$ 61
	=====	=====
Supplemental Cash Flow Information:		
Income taxes paid	\$ 148	\$ 141
	=====	=====
Interest paid	\$ 39	\$ 50
	=====	=====

See Notes to Consolidated Condensed Financial Statements

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JEFFERSON-PILOT CORPORATION

NOTES TO CONSOLIDATED UNAUDITED CONDENSED FINANCIAL STATEMENTS (Dollar amounts in millions)

1. Basis of Presentation

The accompanying consolidated unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. All significant intercompany accounts and transactions have been eliminated in consolidation. Operating results for the nine-month period ended September 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. Certain prior year amounts have been reclassified to conform with the current year presentation.

2. Segment Reporting

The Company has five reportable segments that are defined based on the nature of the products and services offered: Individual Products, Annuity and Investment Products (AIP), Benefit Partners, Communications, and Corporate and Other. The Corporate and Other segment includes activities of the parent company and passive investment affiliates, surplus of the life insurance subsidiaries not allocated to other reportable segments including earnings thereon, financing expenses on Corporate debt and debt securities including Capital Securities, federal and state income taxes not otherwise allocated to other reportable segments and all of the Company's realized gains and losses. Surplus is allocated to the Individual Products, AIP and Benefit Partners reportable segments based on risk-based capital formulae which give consideration to asset/liability and general business risks, as well as the Company's strategies for managing those risks. Various distribution channels and/or product classes related to the Company's individual life, annuity and investment products and group insurance have been aggregated in the Individual Products, AIP and Benefit Partners reporting segments.

The following table summarizes certain financial information regarding the Company's reportable segments:

	September 30 2001	December 31 2000
	-----	-----
Assets		
Individual Products	\$ 15,665	\$ 15,239
AIP	8,470	7,784
Benefit Partners	771	739
Communications	207	212
Corporate & other	3,591	3,347
	-----	-----
Total assets	\$ 28,704	\$ 27,321
	=====	=====

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Three Months Ended
September 30

Nine Months Ended
September 30

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	2001	2000	2001	2000
Revenues				
Individual Products	\$429	\$417	\$1,280	\$1,255
AIP	159	166	476	469
Benefit Partners	157	135	444	395
Communications	45	47	143	148
Corporate & Other	31	16	74	58
	----	----	-----	-----
	821	781	2,417	2,325
Realized investment gains, before tax	24	26	111	105
	----	----	-----	-----
Total revenues before cumulative effect of change in accounting principle	\$845	\$807	\$2,528	\$2,430
	=====	=====	=====	=====
Reportable segments results and reconciliation to net income available to common stockholders				
Individual Products	\$ 70	\$ 77	\$ 216	\$ 214
AIP	17	18	55	58
Benefit Partners	12	7	33	25
Communications	8	10	24	28
Corporate & Other	10	-	15	5
	----	----	-----	-----
Total reportable segment results, before cumulative effect of change in accounting principle	118	112	343	330
Realized investment gains, net of tax	16	17	72	68
	----	----	-----	-----
Net income available to common stockholders, before cumulative effect of change in accounting principle	133	129	415	398
Cumulative effect of change in accounting for derivative instruments, net of income taxes	-	-	1	-
	----	----	-----	-----
Net income available to common stockholders	\$133	\$129	\$ 416	\$ 398
	=====	=====	=====	=====

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3. Income Per Share of Common Stock

On February 12, 2001, the Board authorized a 50% stock dividend distributed on April 19, 2001 to shareholders of record as of March 19, 2001. All share and per share amounts have been restated to give retroactive effect to the stock split. The following table sets forth the computation of earnings per share

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before cumulative effect of change in accounting principle and earnings per share assuming dilution before cumulative effect of change in accounting principle:

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Numerator:				
Net income before dividends on Capital Securities and cumulative effect of change in accounting principle	\$ 139	\$ 135	\$ 433	\$ 416
Dividends on Capital Securities and preferred stock	6	6	18	18
Numerator for earnings per share and earnings per share - assuming dilution - Net income available to common stockholders, before cumulative effect of change in accounting principle				
	\$ 133	\$ 129	\$ 415	\$ 398
Denominator:				
Denominator for earnings per share-weighted-average shares outstanding	151,958,906	154,522,837	152,535,148	154,659,624
Effect of dilutive securities:				
Employee stock options	1,544,505	1,428,111	1,537,657	1,330,239
Denominator for earnings per share-assuming dilution - adjusted weighted-average shares outstanding				
	153,503,411	155,950,948	154,072,805	155,989,863
Earnings per share, before cumulative effect of change in accounting principle				
	\$ 0.88	\$ 0.83	\$ 2.72	\$ 2.57
Earnings per share - assuming dilution, before cumulative effect of change				

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in accounting principle	\$ 0.87	\$ 0.83	\$ 2.69	\$ 2.55
	=====	=====	=====	=====

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4. Contingent Liabilities

Jefferson-Pilot Life is a defendant in two separate proposed class action suits. The plaintiffs' fundamental claim in the first suit is that our policy illustrations were misleading to consumers. Management believes that our policy illustrations made appropriate disclosures and were not misleading. The second suit alleges that a predecessor company, Pilot Life, decades ago unfairly discriminated in the sale of certain small face amount life insurance policies, and unreasonably priced these policies. In both cases, the plaintiffs seek unspecified compensatory and punitive damages, costs and equitable relief. While management is unable to estimate the probability or range of any possible loss in either or both cases, management believes that our practices have complied with state insurance laws and intends to vigorously defend the claims asserted.

In the normal course of business, the Company and its subsidiaries are parties to various lawsuits. Because of the considerable uncertainties that exist, the Company cannot predict the outcome of pending or future litigation. However, management believes that the resolution of pending legal proceedings will not have a material adverse effect on the Company's financial position or liquidity, although it could have a material adverse effect on the results of operations for a specified period.

5. Accounting Pronouncements

Effective January 1, 2001, the Company adopted SFAS 133, "Accounting for Derivative Instruments and for Hedging Activities" and SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (collectively referred to as SFAS 133). SFAS 133 requires all derivatives to be recorded on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. If the derivative is a hedge, changes in its fair value are either offset against the change in fair value of assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The adoption of SFAS 133 on January 1, 2001 resulted in the cumulative effect of an accounting change, net of income taxes of \$1.5 being recognized as income in the statement of net income. There was no cumulative effect recognized in other comprehensive income related to the Company's interest rate swaps, used as cash flow hedges, because these swaps were carried at fair value prior to adoption of SFAS 133. See Note 6 for a complete discussion of the Company's derivative instruments.

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141) and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 requires that all business combinations initiated after June 30, 2001, be accounted for under the purchase method of accounting and establishes specific criteria for the recognition of intangible assets separately from goodwill. Effective January 1, 2002, the Company will adopt SFAS 142, which primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. Upon adoption, goodwill and certain other intangible assets will no longer be amortized. The Company will also be required to evaluate all

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existing goodwill and intangible assets with indefinite lives for impairment at least annually at the reporting unit level. Any transitional impairment losses will be recognized as the effect of a change in accounting principle. The Company does not expect the effect of any impairment losses to have a material impact on the Company's financial position or results of operations.

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Based on current levels of amortization expense, the Company estimates that the elimination of goodwill expense will positively impact net income by approximately \$12.7 or approximately \$0.08 per common share (diluted), on an annual basis.

6. Derivative Financial Instruments

SFAS 133 requires companies to recognize all derivative instruments as either assets or liabilities in the balance sheet at fair value. The fair values of the Company's derivative instruments of \$14.2 at September 30, 2001, are included in other investments in the accompanying balance sheet. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as either a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation. The Company accounts for changes in fair values of derivatives that have no hedge designation or do not qualify for hedge accounting through current earnings during the period of the change. For derivatives that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period during which the hedged transaction impacts earnings. The remaining gain or loss on these derivative instruments is recognized in current earnings during the period of the change. Effectiveness of the Company's hedge relationships is assessed and measured on a quarterly basis. The Company has no fair value hedges or hedges of net investments in foreign operations.

Cash Flow Hedging Strategy

The Company uses interest rate swaps to convert floating rate investments to fixed rate investments. Interest is exchanged periodically on the notional value, with the Company receiving the fixed rate and paying various short-term LIBOR rates on a net exchange basis. During the quarter and the nine months ended September 30, 2001, the ineffective portion of the Company's cash flow hedging instruments, which is recognized in realized investment gains, was not significant.

During the quarter and the nine months ended September 30, 2001, the Company recognized other comprehensive income related to cash flow hedges of \$4.3 and \$5.2.

The Company does not expect to reclassify a significant amount of net gains (losses) on derivative instruments from accumulated other comprehensive income to earnings during the next twelve months.

Other Derivatives

The Company acquired a \$30 block of equity indexed annuities as the result of its purchase of Guarantee Life Insurance Company (Guarantee). These contracts have an equity market component, where interest credited to the contracts is

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linked to the performance of the S&P 500(R) index. The Company has historically managed this risk by purchasing call options that mirrored the interest credited to the contracts. These call options act as an economic hedge, as changes in their fair values are recognized in net investment income. For the third quarter and the nine months ended September 30, 2001, activity reflected in net investment income related to these options was not significant.

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Certain swaps serve as economic hedges but do not qualify for hedge accounting under SFAS 133. These swaps are marked to market through realized gains. During the quarter and the nine months ended September 30, 2001, the Company recognized realized investment gains of \$1.3 and \$1.4 related to these swaps.

The Company also invests in debt securities with embedded options, which are considered to be derivative instruments under SFAS 133. These derivatives are marked to market through realized investment gains, but had an insignificant effect for the third quarter and nine months ended September 30, 2001.

The Company is exposed to credit risk in the event of non-performance by counterparties to derivative instruments. The Company limits this exposure by diversifying among counterparties with high credit ratings.

The Company's credit risk exposure on swaps is limited to the fair value of swap agreements that it has recorded as an asset. The Company does not expect any counterparty to fail to meet its obligation. Currently, non-performance by a counterparty would not have a material adverse effect on the Company's financial position or results of operations. The Company's exposure to market risk is mitigated by the offsetting effects of changes in the value of swap agreements and the related direct investments and credited interest on annuities.

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JEFFERSON-PILOT CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is Management's Discussion and Analysis of financial condition as of September 30, 2001, changes in financial condition for the nine months then ended, and results of operations for the three month and nine month periods ended September 30, 2001, as compared to the same periods of 2000 of Jefferson-Pilot Corporation and consolidated subsidiaries (collectively, JP or Company). The discussion supplements Management's Discussion and Analysis in Form 10-K for the year ended December 31, 2000, and it should be read in conjunction with the interim financial statements and notes contained herein. All dollar amounts are in millions except per share amounts. All prior share amounts have been restated to give retroactive effect to the Company's 50% stock dividend, which was effective in April 2001.

COMPANY PROFILE

The Company has five reportable segments: Individual Products, Annuity and Investment Products (AIP), Benefit Partners, Communications, and Corporate and Other.

Within the Individual Products segment, JP offers a wide array of individual life insurance products including variable life insurance. AIP offers both

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fixed and variable annuities, as well as other investment products. Benefit Partners offers group non-medical products such as term life, disability and dental insurance to the employer marketplace. These insurance and investment products are currently marketed to individuals and businesses in the United States. At September 30, 2001, the Company's principal life insurance subsidiaries were Jefferson-Pilot Life Insurance Company (JP Life), Jefferson Pilot Financial Insurance Company (JPFIC) and its subsidiary Jefferson Pilot LifeAmerica Insurance Company (JPLA) (collectively, JP Financial).

Communications operations are conducted by Jefferson-Pilot Communications Company (JPCC) and consist of radio and television broadcasting operations located in strategically selected markets in the Southeastern and Western United States, and sports program production.

Corporate and Other contains the activities of the parent company and passive investment affiliates, surplus, including earnings thereon of the life insurance subsidiaries not allocated to other reportable segments, financing expenses on Corporate debt, strategic initiatives derived to benefit the entire company, and federal and state income taxes not otherwise allocated to business segments.

JP has expanded through acquisitions in prior years. JP's acquisition strategy is designed to enhance core business growth and deploy excess capital. The focus is to increase distribution, add products, add technology and provide economies of scale.

For the nine months of 2001, JP's revenues were derived 53% from Individual Products, 20% from AIP, 18% from Benefit Partners, 6% from Communications, and 3% from Corporate and Other, excluding realized gains.

As a result of strategic studies undertaken last year, a refined marketing strategy called Premier Partnering was adopted. Strategic initiatives include a higher level of marketing support and improved service for more productive

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agents, tailoring specific products and marketing programs, and implementation of "lean manufacturing" to improve quality and reliability throughout our marketing processes. The Company remains intensely focused on implementing this strategy to accelerate the growth of life insurance sales and increase the number of agents who qualify as Premier Partners.

RESULTS OF OPERATIONS

In the following discussion "reportable segment results" and "total reportable segment results" include all elements of net income available to common stockholders except realized gains on sales of investments (realized investment gains). Realized investment gains, as defined, are net of related income taxes and amortization of deferred acquisition costs (DAC) and value of business acquired (VOBA). Realized investment gains are included in the "Corporate and Other" segment. Reportable segment results is the basis used by management of the Company in assessing the performance of its business segments. Management believes that reportable segment results are relevant and useful information. Gains from sale of investments arise in majority from its Available for Sale equity and bond portfolios and may be realized in the sole discretion of management. Reportable segment results as described above may not be comparable to similarly titled measures reported by other companies.

The following tables illustrate JP's results before and after the inclusion of realized investment gains and the cumulative effect of the SFAS 133 change in accounting for derivatives:

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	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Consolidated Summary of Income				
Income before dividends on Capital Securities and cumulative effect of change in accounting principle				
	\$139.8	\$135.3	\$433.3	\$416.7
Dividends on Capital Securities	(6.1)	(6.1)	(18.4)	(18.4)
Cumulative effect of change in accounting for derivative instruments, net of income taxes				
	-	-	1.5	-
Net income available to common stockholders				
	\$133.7	\$129.2	\$416.4	\$398.3
Income before dividends on Capital Securities				
	\$139.8	\$135.3	\$434.8	\$416.7
Other comprehensive income - change in net unrealized gains on securities				
	132.0	92.5	155.9	(14.0)
Comprehensive income				
	\$271.8	\$227.8	\$590.7	\$402.7

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	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Average number of shares outstanding				
	151,958,906	154,522,837 (a)	152,535,148 (a)	154,659,624 (a)
Average number of shares outstanding - assuming dilution				
	153,503,411	155,950,948 (a)	154,072,805 (a)	155,989,863 (a)

(a) Number of shares has been restated as if the 50% stock dividend effective April 9, 2001 had been in effect for all periods presented.

The following table shows total reportable segment results:

	Three Months Ended September 30	Nine Months Ended September 30
--	------------------------------------	-----------------------------------

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	2001	2000	2001	2000
Consolidated Earnings Per Share				
Basic:				
Total reportable segment results	\$0.78	\$0.73	\$2.26 (b)	\$2.13
Realized investment gains (net of applicable income taxes)	0.10	0.11	0.47	0.45
Net income available to common stockholders	\$0.88	\$0.84	\$2.73	\$2.58
Fully-diluted:				
Total reportable segment results	\$0.77	\$0.72	\$2.24 (b)	\$2.12
Realized investment gains (net of applicable income taxes)	0.10	0.11	0.46	0.43
Net income available to common stockholders	\$0.87	\$0.83	\$2.70	\$2.55

(b) Includes \$0.01 per share of income relating to cumulative effect of change in accounting for derivatives.

Net income available to common stockholders increased 3.5% and 4.5% from the third quarter and nine months of 2000. Total reportable segment results increased 5.0% and 4.4% over the third quarter and nine months of 2000. There

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were several one-time earnings fluctuations that occurred during the 2001 third quarter, including increased mortality relating to the September 11th terrorist attacks. In total these fluctuations reduced quarterly and year-to-date reportable segment results by approximately \$4. The larger fluctuations are discussed further in the results by segment. Net realized gains decreased 6.5% and increased 5.3% from the third quarter and nine months of 2000.

Total reportable segment results per share including the cumulative effect of the change in accounting for derivatives increased 6.8% and 6.1% over third quarter and nine months of 2000, reflecting the increase in earnings and common share repurchases. Earnings per share assuming dilution increased 4.8% and 5.9% over the third quarter and nine months of 2000 for the same reasons. As mentioned in the previous paragraph, one-time negative earnings fluctuations affected earnings per share by approximately \$.03 per share. Due to share repurchases, net of stock plan issuances, the average number of diluted shares outstanding decreased 1.6% to 153.5 million shares and 1.2% to 154.1 million shares from the third quarter and nine months of 2000.

RESULTS BY BUSINESS SEGMENT

Management assesses profitability by business segment and measures other operating statistics as detailed in the separate segment discussions that follow. Sales are one of the statistics JP uses to track performance. Because of the nature of life insurance sales, which are primarily long-duration contracts in the Individual Products and AIP segments, sales in a given quarter do not have a near term material impact on operating results and therefore are not considered to be material information. However, trends relating to new

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sales over a longer period of time may be an indicator of future growth and profitability.

Reportable segments are determined in a manner consistent with the way management organizes for purposes of making operating decisions and assessing performance. Invested assets backing insurance liabilities are assigned to segments in relation to policyholder funds and reserves. Net deferred acquisition costs incurred, value of business acquired, reinsurance receivables and communications assets are assigned to the respective segments where those assets originate. Invested assets are also assigned to back capital allocated to each segment in relation to JP's philosophy for managing business risks, reflecting appropriate conservatism. The remainder of invested and other assets is assigned to the Corporate and Other segment.

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Results by Reportable Segment

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Individual Products	\$ 69.9	\$ 76.6	\$215.9	\$213.9
AIP	17.3	18.3	57.1 (a)	58.6
Benefit Partners	12.1	7.5	33.0	24.7
Communications	8.2	9.7	23.7	27.7
Corporate and Other	10.3	0.1	14.8	5.1
	-----	-----	-----	-----
Total reportable segment results	117.8	112.2	344.5	330.0
Net realized investment gains	15.9	17.0	71.9	68.3
	-----	-----	-----	-----
Net income available to common stockholders	\$133.7	\$129.2	\$416.4	\$398.3
	=====	=====	=====	=====

(a) Includes \$1.5 relating to the cumulative effect of change in accounting for derivatives.

Segment Assets

	September 30 2001	September 30 2000
Individual Products	\$15,665	\$15,188
AIP	8,470	7,733
Benefit Partners	771	742
Communications	207	203
Corporate and Other	3,591	3,407
	-----	-----
Total Assets	\$28,704	\$27,273
	=====	=====

A more detailed discussion of reportable segment results follows.

INDIVIDUAL PRODUCTS

The Individual Products segment markets individual life insurance policies through independent general agents, independent national account marketing firms, agency building general agents, home service agents, broker/dealers,

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banks and strategic alliances.

Individual Products include universal life (UL) and variable universal life (VUL), together referred to as UL-type products, as well as traditional life products. The operating cycle for life insurance products is long term in nature; therefore, actuarial assumptions are important to financial reporting for these products. Traditional products require the policyholder to pay scheduled premiums over the life of the coverage. Traditional premium receipts are recognized as revenues and profits are expected to emerge in relation thereto. Interest-sensitive product (or UL-type product) premiums may vary over the life of the policy at the discretion of the policyholder and are not recognized as revenues. Revenues on these products arise from mortality, expense and surrender charges to policyholder fund balances (policy charges).

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Additionally, JP earns interest spreads on all UL-type and traditional products as well as investment advisory fees on VUL policyholder fund balances. Policy benefits include interest credited to policyholder fund balances net of mortality, and other claim related costs. Reportable segment results for both traditional and UL-type products also includes earnings on required capital.

Segment results were:

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Life premiums and other considerations	\$ 47.5	\$ 48.1	\$ 147.0	\$ 160.1
UL and investment product charges	161.3	154.8	477.5	459.5
Investment income, net of expenses	218.2	211.7	649.7	629.4
Other income	1.8	2.3	5.7	6.6
	428.8	416.9	1,279.9	1,255.6
Policy benefits	256.5	225.3	731.2	687.0
Expenses	64.8	74.6	216.8	241.1
	321.3	299.9	948.0	928.1
Reportable segment results before income taxes	107.5	117.0	331.9	327.5
Provision for income taxes	37.6	40.4	116.0	113.6
	\$ 69.9	\$ 76.6	\$ 215.9	\$ 213.9

Individual Products reportable segment results decreased \$6.7 or 8.7% and increased \$2.0 or 0.9% over the third quarter and nine months of 2000. The third quarter results included \$6.0 after tax of unusual items that adversely affected this segment. The largest item was an after tax/after DAC \$4.0 related to additional mortality resulting from the September 11th event. The other \$2.0 primarily related to an internal reallocation from the Individual Products to the Corporate segment, which did not affect net income overall.

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	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Annualized life insurance premium sales:				
Sales excluding large case BOLI	\$ 47.9	\$ 40.6	\$ 127.2	\$ 118.3
Large case BOLI	2.5	-	11.1	2.1
Individual traditional insurance premiums	\$ 46.8	\$ 47.5	\$ 145.8	\$ 158.2
Average UL policyholder fund balances	\$ 9,182.9	\$ 8,826.8	\$ 9,044.4	\$ 8,770.7
Average VUL separate account assets	1,336.6	1,406.1	1,294.3	1,383.7
	-----	-----	-----	-----
	\$ 10,519.5	\$ 10,232.9	\$ 10,338.7	\$ 10,154.4
	=====	=====	=====	=====
Average face amount of insurance in force:				
Total	\$157,051.0	\$156,928.0	\$156,779.0	\$157,551.0
UL-type policies	\$115,473.0	\$112,460.0	\$114,696.0	\$112,025.0
Average assets	\$ 15,599.9	\$ 15,128.4	\$ 15,396.0	\$ 15,029.1

Annualized life insurance premium sales excluding large case BOLI increased 18.0% and 7.5% for the third quarter and nine months of 2001 as the Company is experiencing increased sales as a result of marketing initiatives and the introduction of several new UL products during the first quarter. Annualized large case BOLI sales increased significantly over the third quarter and nine months of 2000. JP's business strategy is to respond to individual sales opportunities for large case BOLI when the market accommodates required returns. Accordingly, these sales results will vary widely between periods.

Revenues include traditional insurance premiums, policy charges and investment income. Individual revenues increased \$11.9 or 2.9% over the third quarter of 2000 and \$24.3 or 1.9% over the nine months of 2000, primarily due to growth in average UL policyholder fund balances of 4.0% and 3.1% over the third quarter and nine months of 2000. Average VUL separate account assets declined 4.9% and 6.5% from the third quarter and nine months of 2000 primarily due to the drop in the equity markets. Adjusting for the decrease in fair market value, net of dividends, year over year, separate account balances would have increased by 15.0% and total fund balances would have grown by 5.0%.

Individual traditional premiums decreased 1.5% and 7.8% from third quarter and nine months of 2000 as a result of a decrease in traditional business in force and certain reclassifications made in 2000 related to the integration of Guarantee. Product charges, which include mortality, expense and surrender charges, improved 4.2% and 3.9% over the third quarter and nine months of 2000, due to the growth of the UL-type business in force.

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Net investment income increased \$6.5 or 3.1% and \$20.3 or 3.2% over the third quarter and nine months of 2000, following the growth in policyholder funds. The portfolio yield on traditional assets increased 3 basis points to 7.76% and 6 basis points to 7.79% from the third quarter and nine months of 2000. The

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average investment spread on UL products (calculated as the difference between portfolio yields earned on invested assets less interest credited to policyholder funds, assuming the same level of invested assets) decreased 3 basis points and increased 1 basis point to 1.98% from the third quarter and nine months of 2000. In addition to being impacted by portfolio yields and crediting rates, interest spreads may vary over time due to competitive strategies and changes in product design.

Total policy benefits increased 13.8% and 6.4% from the third quarter and nine months of 2000 reflecting an overall increase in mortality of \$15.1 for the quarter and \$13.5 year-to-date. This increase includes \$7.8 related to the September 11th terrorist attack coupled with unusually low mortality in the third quarter of 2000. Traditional policy benefits were 108.1% versus 99.5% of premiums in the third quarter and 109.8% versus 103.2% for the nine months of 2001 and 2000, reflecting the continual decrease in demand for traditional type products versus UL-type products. Policy benefits on UL-type products (annualized) increased to 7.8% and 7.4% of average policyholder funds and separate accounts versus 7.0% and 6.9% in the third quarter and nine months of 2000. Policy benefits include interest credited to policyholder accounts on UL-type products, whereas premium receipts on these products are credited directly to policyholder accounts and not recorded as revenues.

Total expenses decreased 13.1% and 10.1% from the third quarter and nine months of 2000. The decline is due primarily to a decrease in amortization of DAC and VOBA resulting from an increase in mortality on UL-type policies in 2001 versus 2000. Amortization of DAC and VOBA on UL-type products will increase when mortality experience is lower and decrease when mortality experience is higher. Expenses on individual traditional products were 23.2% and 28.1% of premiums in the third quarter and nine months of 2001. For UL-type products, annualized expenses as a percentage of policyholder funds and separate accounts were 2.0% and 2.2% in the third quarter and nine months of 2001 versus 2.5% for the third quarter and nine months of 2000.

Average Individual Products' assets grew 3.1% and 2.4% over the third quarter and nine months of 2000, due to sales of UL-type products and growth in existing policyholder funds from interest credited, partially offset by VUL separate account declines. The annualized return on average Individual Products' assets was 1.8% and 1.9% in the third quarter and nine months of 2001 versus 2.0% and 1.9% for the third quarter and nine months of 2000.

ANNUITY AND INVESTMENT PRODUCTS

Annuity and Investment Products, including variable annuity products, are marketed through most distribution channels discussed in the Individual Products segment as well as through financial institutions, investment professionals and annuity marketing organizations. JP's full service broker/dealer markets variable life insurance and variable annuities written by our insurance subsidiaries, and also sells other securities and mutual funds.

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Reportable segment results were:

Three Months Ended September 30		Nine Months Ended September 30	
2001	2000	2001	2000

Policy charges, premiums and

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other considerations	\$ 2.5	\$ 7.6	\$ 11.0	\$ 21.5
Net investment income	133.8	121.4	391.6	358.0
Concession and other income	22.4	37.4	76.0	89.2
	-----	-----	-----	-----
Total revenues	158.7	166.4	478.6	468.7
	-----	-----	-----	-----
Policy benefits	98.8	86.0	279.9	251.4
Expenses	33.1	51.9	110.5	126.7
	-----	-----	-----	-----
Total benefits and expenses	131.9	137.9	390.4	378.1
	-----	-----	-----	-----
Reportable segment results				
before income taxes	26.8	28.5	88.2	90.7
Provision for income taxes	9.5	10.2	31.1	32.1
	-----	-----	-----	-----
Reportable segment results	\$ 17.3	\$ 18.3	\$ 57.1	\$ 58.6
	=====	=====	=====	=====

Reportable segment results decreased \$1.0 or 5.5% and \$1.5 or 2.6% from the third quarter and nine months of 2000. The largest factor contributing to the decrease was a decline in net income from the broker/dealer of \$0.9 and \$2.6 for the quarter and year-to-date. The following table summarizes key information for AIP:

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
	-----	-----	-----	-----
Fixed annuity premium sales	\$ 524.1	\$ 399.4	\$1,017.5	\$ 908.4
Variable annuity premium sales	4.4	19.3	21.4	77.0
	-----	-----	-----	-----
	\$ 528.5	\$ 418.7	\$1,038.9	\$ 985.4
	-----	-----	-----	-----
Average policyholder fund balances	\$6,925.8	\$6,328.9	\$6,707.7	\$6,318.8
Average separate account policyholder fund balances	512.3	698.9	549.8	706.4
	-----	-----	-----	-----
	\$7,438.1	\$7,027.8	\$7,257.5	\$7,025.2
	-----	-----	-----	-----
Investment product sales	\$ 689.0	\$1,071.5	\$2,153.6	\$2,823.3
Average assets	\$8,209.4	\$7,675.9	\$7,978.5	\$7,610.7

Annuity revenues are derived from investment income on segment assets, policy charges, and concession income earned on investment product sales by Jefferson Pilot Securities Corporation (JPSC), a registered broker/dealer, and related entities. AIP revenues decreased 4.6% and increased 2.1% over the third quarter and nine months of 2000. The decrease in revenues reflected weak sales in our broker/dealer due to the adverse equity market, and lower surrender charge income as fixed annuity lapse rates improved. The 2001 nine month results include the adoption of FASB 133, which caused a one-time increase to net investment income of \$2.3 in the first quarter 2001. Fixed annuity premium sales increased 31.2% and 12.0% over the third quarter and nine months of 2000.

The strong sales were driven by more competitive products introduced in late

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first quarter 2001, especially a fixed annuity with a market value adjustment, and increased distribution particularly in financial institutions.

Fixed annuity surrenders as a percentage of beginning fund balances decreased to 11.6% versus 24.8% and 13.5% versus 23.3% from the third quarter and nine months of 2000. The lower lapse rates reflected the combined effects of lower interest rates on competing investments, increased surrender charge protection on our in-force block of business, and internal conservation initiatives. The surrender rate in the AIP segment is influenced by many factors, including the portion of the business that has low or no remaining surrender charges, and competition from other annuity products including those which pay interest rate bonuses and from other investment products. Fund balances with 5% or more surrender charges, including payout annuities, increased to 43% versus 36% over the nine months of 2000.

JP maintains asset/liability management practices that reflect the characteristics of the AIP liabilities. Concession and other income related to the broker/dealer decreased 40.1% and 14.8% from the third quarter and nine months of 2000 due to the difficult equity market.

Total AIP benefits and expenses decreased 4.4% and increased 3.3% over the third quarter and nine months of 2000. The third quarter decrease resulted primarily from lower commission expenses related to the broker/dealer and correlates to the decrease in concession income. The year-to-date increase reflects the overall growth in the AIP business in spite of the lower commissions. Annualized policy benefits, which are mainly comprised of interest credited to policyholder accounts, as a percentage of average policyholder fund balances were 5.7% versus 5.4% and 5.6% versus 5.3% in the third quarter and nine months of 2001 and 2000. Total AIP expenses decreased 36.2% and 12.8% from the third quarter and nine months of 2000 due primarily to the lower commission expenses at the broker/dealer. Effective spreads declined to 1.92% from 2.15% and 1.98% from 2.16% in the third quarter and nine months of 2001, primarily due to continued strong sales of JP's lower commission five-year products. These products carry a lower spread requirement based upon commission rates approximating 50% of normal commissions. The lower commission has the eventual effect of decreasing expenses through reduced DAC amortization. Of the year-to-date 18 basis point spread compression mentioned above, approximately one-third represents economic spread contraction, while the remaining two-thirds is related to the lower commission products.

The combined earnings of the broker/dealer and related entities which are included in the segment results were \$0.3 versus \$1.3 and \$1.7 versus \$4.3 for the third quarter and nine months of 2001 and 2000.

BENEFIT PARTNERS

The Benefit Partners segment offers group non-medical products such as term life, disability and dental insurance to the employer marketplace. These products are marketed primarily through a national distribution system of regional offices. These offices develop business through employee benefit brokers, third party administrators and other employee benefit firms.

Results for the nine months ended September 30, 2001 benefited from JP's operational integration of the prior JP Life group life and disability operations into Guarantee's Omaha, Nebraska life, disability and dental operations.

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Reportable segment results were:

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Premiums and other considerations	\$ 142.7	\$ 121.6	\$ 402.9	\$ 356.7
Investment income, net of expenses	14.1	13.0	40.8	38.2
Total revenues	156.8	134.6	443.7	394.9
Policy benefits	104.4	91.5	296.6	263.3
Expenses	33.8	31.6	96.4	93.8
Total benefits and expenses	138.2	123.1	393.0	357.1
Reportable segment results before income taxes	18.6	11.5	50.7	37.8
Provision for income taxes	6.5	4.0	17.7	13.1
Reportable segment results	\$ 12.1	\$ 7.5	\$ 33.0	\$ 24.7

Benefit Partners reportable segment results increased \$4.6 or 61.3% and \$8.3 or 33.6% over the third quarter and nine months of 2000. The following table summarizes key information for Benefit Partners:

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Life, Disability, and Dental:				
Annualized sales	\$ 40.0	\$ 28.7	\$ 119.3	\$ 92.4
Loss ratio	71.3%	73.6%	72.1%	72.5%
Total expenses, % of premium income	23.7%	26.0%	24.0%	26.1%
Average assets	\$ 757.3	\$ 729.5	\$ 742.7	\$ 700.1
Premium income	\$ 142.7	\$ 121.4	\$ 402.1	\$ 360.0

Benefit Partners revenues increased \$22.2 or 16.5% and \$48.8 or 12.4% over the third quarter and nine months of 2000, including growth in premium income of \$21.3 or 17.5% and \$42.1 or 11.7% over the third quarter and nine months of 2000. Annualized sales growth for the core life, disability and dental lines of business was \$11.3 or 39.4% and \$26.9 or 29.1% over the third quarter and nine months of 2000. The increase in revenue is due to continued favorable sales growth combined with satisfactory persistency in the non-medical business, reflecting our business model based on technology which lowers unit expenses and enhances the quality of service, offset somewhat by the impact of the exit from the excess loss medical business.

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Policy benefits increased 14.1% and 12.6% over the third quarter and nine months of 2000, consistent with the growth of business in force. The life, disability

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and dental incurred loss ratio was 71.3% versus 73.6% and 72.1% versus 72.5% in the third quarter and nine months of 2001 and 2000, reflecting continuing claims management efforts coupled with favorable morbidity and mortality.

Total expenses (including the net deferral and amortization of DAC and VOBA) increased 7.0% and 2.8% in the third quarter and nine months of 2001, reflecting somewhat higher costs with sales growth. As a percentage of premium income, total expenses decreased to 23.7% versus 26.0% and 24.0% versus 26.1% for the third quarter and nine months of 2001 and 2000. This favorable expense trend is due in part to the integration of JP's and Guarantee's group operations and the deferral of first year expenses on profitable Dental products.

COMMUNICATIONS

JPCC operates radio and television broadcast properties and produces syndicated sports and entertainment programming. Reportable segment results were:

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Communications revenues (net)	\$ 44.5	\$ 48.5	\$ 143.4	\$ 151.6
Operating costs and expenses	28.3	27.4	90.1	89.2
Broadcast cash flow	16.2	21.1	53.3	62.4
Depreciation and amortization	2.6	2.7	8.1	8.3
Corporate general and administrative expenses	(0.7)	1.3	2.6	4.2
Net interest expense	1.0	1.2	3.2	3.5
Operating revenue before income taxes	13.3	15.9	39.4	46.4
Provision for income taxes	5.1	6.2	15.7	18.7
Reportable segment results	\$ 8.2	\$ 9.7	\$ 23.7	\$ 27.7

Reportable segment results decreased 15.5% and 14.4% compared to the third quarter and nine months of 2000, primarily reflecting the continued decline in demand for advertising due to a general softening of the economy in all markets.

Combined revenues for Radio and Television decreased 8.9% and 6.5% from the third quarter and nine months of 2000. Disregarding political revenues, Radio and Television decreased 8.7% and 5.6% from the third quarter and nine months of 2000. The larger decline in the third quarter reflects both the overall slowing of advertising and the impact of the September 11th terrorist attacks, which resulted in commercial preemptions, cancellations of scheduled commercials, and pending business that never materialized. This decline for the nine months is primarily due to decreases in national sales, slowing economic conditions, and lost revenues from the September 11th event.

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Broadcast cash flow decreased by 23.2% and 14.6% from the third quarter and nine months of 2000.

Total expenses, excluding interest expense, decreased 3.8% and 0.9% in the third quarter and nine months of 2001, and as a percent of communication revenues were 67.9% versus 64.7% and 70.3% versus 67.1% for the third quarter and nine months

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of 2001 and 2000. The increase as a percentage of revenues is mainly due to the decrease in revenues, while expenses have been held relatively flat year-to-year. A one-time insurance recovery of \$1.1 after tax reduced corporate general and administrative expenses in the third quarter of 2001, which helped segment earnings but is not reflected in broadcast cash flow.

CORPORATE AND OTHER

The following table summarizes operating results for this segment:

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Earnings on investments	\$ 33.1	\$ 20.4	\$ 80.4	\$ 71.8
Interest expense on debt and Exchangeable Securities	(6.4)	(9.0)	(23.2)	(27.0)
Operating expenses	(6.8)	(7.1)	(24.2)	(19.8)
Federal and state income tax expense	(3.5)	1.9	0.2	(1.5)
	16.4	6.2	33.2	23.5
Dividends on Capital Securities and mandatorily redeemable preferred stock	(6.1)	(6.1)	(18.4)	(18.4)
Reportable segment results	10.3	0.1	14.8	5.1
Realized investment gains	15.9	17.0	71.9	68.3
Reportable segment results, including realized gains	\$ 26.2	\$ 17.1	\$ 86.7	\$ 73.4

The following table summarizes assets assigned to this segment:

	September 30 2001	September 30 2000
Parent company, passive investment companies and Corporate line assets of insurance subsidiaries	\$ 1,234	\$ 1,382
Unrealized gain (loss) on fixed interest investments	305	(162)
Co-insurance receivables on acquired blocks	1,123	1,249
Employee benefit plan assets	352	379
Goodwill arising from insurance acquisitions	272	260
Other	305	299
Total	\$ 3,591	\$ 3,407

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Total assets for the Corporate and Other segment increased 5.4% from September 30, 2000. Unrealized gains and losses on all Available for Sale fixed income securities are assigned to this segment, and increased \$467 from September 30, 2000, primarily due to declining market interest rates.

Reportable segment results excluding realized gains increased \$10.2 and \$9.7 from the third quarter and nine months of 2000. The third quarter benefited from lower interest rates on commercial paper, mitigated somewhat by higher debt primarily related to stock repurchases, \$2.9 after tax of non-repeatable

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investment earnings items, and \$1.5 after tax one-time reallocation of investment expenses to Individual Products. Investment earnings increased 62.3% and 12.0% from the third quarter and nine months of 2000 due primarily to a decrease in repurchase agreement interest expense of \$6.5, reallocation of inter-segment income of \$4.5 and additional one-time under accrual of interest income of \$2.6. Interest expense on debt and exchangeable securities decreased \$2.6 and \$3.8 from the third quarter and nine months of 2000, as a result of lower average interest rates despite an increased level of commercial paper debt. Operating expenses decreased 4.2% and increased 22.2% over the third quarter and nine months of 2000. The year-to-year increase is primarily due to national advertising campaign expenses incurred in the first half of 2001. Federal and state income tax expense includes the tax benefit of preferred dividends on Capital Securities, which are recorded gross of related tax effects. Federal and state income taxes increased \$5.4 and decreased \$1.7 from the third quarter and nine months of 2000. The quarterly increase resulted from tax on the higher level of pre-tax income whereas the year over year decrease was due to the implementation of strategies that reduced the federal income tax on investment earnings and the resolution of tax issues for which we had previously established reserves.

The results of this segment fluctuate from quarter to quarter due to expenses associated with strategic activities, share repurchases, tax strategies, advertising expenses, income recorded on equity method investments, and transfers of assets to and from business segments, as well as refinements in asset assignments and investment income allocation methodologies to other reportable segments.

FINANCIAL POSITION, CAPITAL RESOURCES AND LIQUIDITY

JP's primary resources are investments related to its Individual Products, AIP and Benefit Partners segments, properties and other assets utilized in all segments and investments backing corporate capital. The Investments section reviews the Company's investment portfolio and key strategies.

Total assets increased \$1,383 or 5.1% during the nine months of 2001, reflecting growth in income, policyholder contract deposits, and increase in market value of Available for Sale securities. These favorable influences were partially offset by cash dividends paid to stockholders and repurchases of common stock.

The Individual Products, AIP and Benefit Partners segments defer the costs of acquiring new business, including commissions, first year bonus interest, certain costs of underwriting and issuing policies, and agency office expenses. Net amounts deferred were \$1,295 at September 30, 2001, an increase of 6.2% over December 31, 2000, reflecting increased sales.

Value of business acquired represents the actuarially determined present value

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of future gross profits of each business acquired. VOBA was \$640 at September 30, 2001, down 13.4% from year-end due to amortization.

Goodwill (cost of acquired businesses in excess of the fair value of net assets) was \$315 at September 30, 2001 and \$323 at December 31, 2000, reflecting amortization. Goodwill as a percentage of shareholders' equity was 9.2% and 10.2% at September 30, 2001 and December 31, 2000.

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Carrying amounts of goodwill, VOBA and DAC are regularly reviewed for indications of value impairment, with consideration given to the financial performance of acquired properties, future gross profits of insurance in force and other factors.

At September 30, 2001 and December 31, 2000, JP had reinsurance receivables of \$922 and \$947 and policy loans of \$181 and \$184 which are related to the businesses of JP Financial that were coinsured with Household International (HI) affiliates. HI has provided payment, performance and capital maintenance guarantees with respect to the balances receivable. JP regularly evaluates the financial condition of its reinsurers and monitors concentrations of credit risk related to reinsurance activities. No significant credit losses have resulted from reinsurance activities during 2001 and 2000.

CAPITAL RESOURCES

Stockholders' Equity

JP's capital adequacy is illustrated by the following table:

	September 30 2001	December 31 2000
	-----	-----
Total assets less separate accounts	\$ 26,778	\$ 25,010
Total stockholders' equity	\$ 3,442	\$ 3,159
Ratio of stockholders' equity to assets less separate accounts	12.9%	12.6%

The ratio of equity to assets has increased slightly, primarily due to changes in unrealized gains on securities, partially offset by stock repurchases. Stockholders' equity increased \$283 over December 31, 2000 due to net changes in values of Available for Sale securities and net income less dividends paid. Common shares outstanding reflected repurchases during the nine months of 2001 of \$167 (3,946,500 shares at an average cost of \$42.43 per share), which decreased equity. In February 2001 and again in November 2001, JP's Board of Directors updated its ongoing share repurchase authorization to cover 5 million shares of common stock, and the Company intends to continue to make opportunistic repurchases.

JP considers existing capital resources to be more than adequate to support the current level of its business activities. The business plan places priority on redirecting certain capital resources invested in bonds and stocks into its core businesses, which would be expected to produce higher returns over time.

The Individual Products, AIP and Benefit Partners segments are subject to regulatory constraints. The Company's insurance subsidiaries have statutory surplus and risk based capital levels well above required levels. These capital

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levels together with the rating agencies' assessments of the Company's business

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strategies have enabled the major life insurance affiliates to attain the following claims paying ratings:

	JP Life	JPFIC	JPLA
	-----	-----	-----
A.M. Best	A++	A++	A++
Standard & Poor's	AAA	AAA	AAA
Fitch	AAA	AAA	AAA

Debt and Exchangeable Securities

Commercial paper outstanding was \$490 and \$405 at September 30, 2001 and December 31, 2000 with weighted average interest rates of 5.02% and 6.21%. The increase is due to share repurchases and an opportunistic ability to purchase higher yielding securities. The maximum amount outstanding during the nine months of 2001 was \$565 versus \$525 during the year ended December 31, 2000.

JP insurance subsidiaries have sold U.S. Treasury obligations and collateralized mortgages under repurchase agreements involving various counterparties, accounted for as financing arrangements. Proceeds are used primarily to purchase securities with longer durations as an asset/liability management strategy. The maximum amounts outstanding were \$457 during the first nine months of 2001 and \$467 during the year ended December 31, 2000, as the portion used to help fund the Guarantee acquisition was repaid in the first half of 2001 followed by increased asset/liability management activities. The securities involved had a fair value and amortized cost of \$486 and \$452 during the first nine months of 2001 versus \$415 and \$404 as of December 31, 2000.

At September 30, 2001 and December 31, 2000, the Company had \$150 and \$139 Exchangeable securities and other debt outstanding, reflecting the Mandatorily Exchangeable Debt Securities (MEDS). Additionally, \$300 of guaranteed preferred beneficial interest in subordinated debentures (Capital Securities) remained outstanding at September 30, 2001.

At September 30, 2001 and December 31, 2000, net advances from subsidiaries were \$433 and \$346, all of which are eliminated in consolidation.

While the Company has no commitments for additional financing, additional funds may be borrowed to finance acquisitions or for other corporate purposes.

LIQUIDITY

Liquidity requirements are met primarily by positive cash flows from the operations of subsidiaries. Overall sources of liquidity are sufficient to satisfy operating requirements. Primary sources of cash from the insurance operations are premiums, other insurance considerations, receipts for policyholder accounts, investment sales and maturities and investment income. Primary uses of cash include purchases of investments, payment of insurance benefits, operating expenses, withdrawals from policyholder accounts, costs related to acquiring new business, and income taxes. Primary sources of cash from the Communications operations are revenues from advertising. Primary uses

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of cash include payment of agency commissions, cost of sales, operating expenses and income taxes.

Cash provided by operations was \$590 and \$302 for the nine months of 2001 and 2000. The increase of \$288 reflects changes in payables and receivables related to the timing of investment commitments, partially offset by higher policy acquisition costs.

Net cash used in investing activities was \$1,220 and \$492 for the nine months of 2001 and 2000, with the increase due to significant increases from policyholder deposits and opportunistic purchases of higher yielding securities funded by commercial paper issuance and repurchase agreements.

Net cash provided by financing activities was \$713 and \$189 for the nine months of 2001 and 2000. Cash inflows from policyholder contract deposits net of withdrawals were \$870 and \$477 for the nine months of 2001 and 2000. The 2001 increase is a result of the significant increase in policyholder deposits and the decrease in annuity surrenders. Short-term borrowings (including commercial paper and repurchase agreements) increased by \$85 for the nine months of 2001 primarily driven by the repurchase of common stock and asset/liability management activities.

In order to meet the parent company's dividend payments, debt servicing obligations and other expenses, internal dividends are received from subsidiaries. Total internal cash dividends paid to the parent from its subsidiaries during the nine months were \$259 in 2001 and \$575 in 2000, from JP Life, JPFIC and JPCC. The Company's life insurance subsidiaries are subject to laws in the states of domicile that limit the amount of dividends that can be paid without the prior approval of the respective State's Insurance Commissioner. The Company has no reason to believe that such approval will be withheld where it is needed.

Cash and cash equivalents were \$109 and \$26 at September 30, 2001 and December 31, 2000. This increase over year-end reflected a desire to maintain more liquidity after the uncertainty of the September 11th event. Additionally, fixed income and equity securities held by the parent company and non-regulated subsidiaries were \$522 at September 30, 2001 and \$549 at December 31, 2000. These securities, including \$150 (at September 30, 2001) of Bank of America Corporation common stock, which supports the MEDS, are considered to be sources of liquidity to support the Company's strategies.

Total debt and equity securities Available for Sale at September 30, 2001 and December 31, 2000 were \$14,782 and \$13,529.

INVESTMENTS

JP's strategy for managing the insurance investment portfolio is to dependably meet pricing assumptions while achieving the highest possible after-tax returns over the long term. Cash flows are invested primarily in fixed income securities. The nature and quality of investments held by insurance subsidiaries must comply with state regulatory requirements. The Company has a formal investment policy that governs overall quality and diversification.

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The carrying value of JP's holdings were as follows:

	September 30, 2001	December 31, 2000
	-----	-----
Publicly-issued bonds	\$ 13,384 59.9%	\$ 12,006 58.5%

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Privately-placed bonds	4,230	19.0	4,073	19.8
Mortgage loans on real property	2,979	13.3	2,771	13.5
Common stock	504	2.3	549	2.7
Policy loans	935	4.2	923	4.5
Preferred stock	31	0.1	31	0.2
Real estate	133	0.6	135	0.7
Other	22	0.1	11	-
Cash and equivalents	109	0.5	26	0.1
	-----	-----	-----	-----
Total	\$ 22,327	100.0%	\$ 20,525	100.0%
	=====	=====	=====	=====

Certain amounts reported in the prior years schedule of privately-placed and publicly-issued assets have been reclassified to conform with the presentation adopted in the current year.

The strategy of identifying market sectors and niches that provide investment opportunities to meet the portfolios' growth, quality and yield requirements could result in changing percentages of private placements and commercial mortgage loans.

JP's Investment Policy Statement requires an average quality fixed income portfolio (excluding mortgage loans) of "A" or higher. Currently, the average quality is "A1". The Policy also imposes limits on the amount of lower quality investments and requires diversification by issuer and asset type. During the first nine months of the year, especially subsequent to the September 11th event, several bonds were downgraded to "below-investment grade". The Company closely monitors "higher risk" investments for compliance with the Policy and for proper valuation, including our investments in industries directly affected by the September 11th event. Specific industries affected by the September 11th event, in which the company holds fixed income investments, include airline, lodging and hospitality. Securities that experience other than temporary declines in value are adjusted to net realizable values through a charge to earnings. Commercial mortgage loans in foreclosure are carried at the net present value of expected future cash flows.

Carrying amounts of investments categorized as "higher risk" assets were:

	September 30, 2001		December 31, 2000	
	-----	-----	-----	-----
Bonds near or in default	\$ 40	0.2%	\$ 21	0.1%
Bonds below investment grade	930	4.2	751	3.7
Mortgage loans 60 days delinquent or in foreclosure	1	-	1	-
Mortgage loans restructured	9	-	10	-
Foreclosed properties	-	-	2	-
	-----	-----	-----	-----
Subtotal, "higher risk assets"	980	4.4	785	3.8
All other investments	21,347	95.6	19,740	96.2
	-----	-----	-----	-----
Total cash and investments	\$ 22,327	100.0%	\$ 20,525	100.0%
	=====	=====	=====	=====

The Policy permits use of derivative financial instruments such as futures contracts and interest rate swaps in conjunction with specific direct investments. Actual use of derivatives has been limited to managing well-

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defined interest rate risks and equity-indexed risks associated with certain annuity products. Interest rate swaps with a current notional value of \$133 were open as of September 30, 2001. During the third quarter, interest rate swaps with a combined notional value of \$50 expired.

Mortgage backed securities (including Collateralized Mortgage Obligations) at September 30, which are included in debt securities Available for Sale, were as follows:

	September 30 2001	December 31 2000
	-----	-----
Federal agency issued mortgage backed securities	\$ 3,263	\$ 2,492
Corporate private-labeled mortgage backed securities	2,411	2,230
	-----	-----
Total	\$ 5,674	\$ 4,722
	=====	=====

The Company's investment strategy with respect to mortgage backed securities focuses on actively traded, less volatile issues that produce relatively stable cash flows. The majority of mortgage backed security holdings are sequential and planned amortization class tranches of federal agency issuers. The mortgage backed security portfolio has been constructed with underlying mortgage collateral characteristics and structure in order to lower cash flow volatility over a range of interest rate levels.

MARKET RISK EXPOSURES

With respect to the Company's exposure to market risks, see management's comments in the 2000 Form 10-K. In response to the continuing weakening economy and possibility of a deep recession, especially in light of the September 11th terrorist event, the Federal Reserve has taken the unprecedented step of lowering interest rates ten different times during 2001. The Federal Reserve rate cutting activity far surpassed the projected range of interest rates utilized in the sensitivity analysis in the Form 10-K. JP's exposure to interest rate sensitivity is generally limited to interest rates on its short-term debt and the interest rate margins implicit in the insurance portfolio. Year-to-date, short-term market interest rates have declined approximately 400 basis points, which is 300 basis points more than the 100 basis points decline utilized in the Form 10-K. This market decline of approximately 400 basis points has not been fully reflected in the nine months of 2001, as a substantial amount of the short-term debt was in place or rolled over before the full rate reductions were in effect. A substantial amount of the short-term debt will mature in the fourth quarter; and, if the debt were rolled over at the current rates, it would indicate a reduction of \$2.1 for the last quarter as compared to the effective rate of JP's short-term debt during the first nine months of 2001. The insurance portfolio, however, would not be significantly impacted by the additional decrease in interest rates beyond the amount utilized in Form 10-K based upon the predominately interest-sensitive insurance portfolio and asset/liability strategies employed by the Company. Management believes that the 20% hypothetical decline in the equity market remains reasonably possible in the near term.

EXTERNAL TRENDS AND FORWARD LOOKING INFORMATION

With respect to economic trends, inflation and interest rate risks, environmental liabilities and the regulatory and legal environment, see management's comments in the 2000 Form 10-K.

Forward Looking Information

You should note that this document and our other SEC filings reflect information that we believe was accurate as of the date the respective materials were made publicly available. Thus they do not reflect later developments.

As a matter of policy, Jefferson-Pilot does not normally make projections or forecasts of future events or our performance. When we do, we rely on a safe harbor provided by the Private Securities Litigation Reform Act of 1995 for statements that are not historical facts, called forward looking statements. These may include statements relating to our future actions, sales and product development efforts, expenses, the outcome of contingencies such as legal proceedings, or financial performance. An example would be our forecast of the anticipated earnings contribution over time from our Guarantee acquisition.

Certain information in our SEC filings and in any other written or oral statements made by JP or on our behalf, involves forward looking statements. We have used appropriate care in developing this information, but any forward looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties that could significantly affect our actual results. These risks and uncertainties include among others, the risk that we might fail to successfully complete our strategy for substantially increasing life insurance sales; general economic conditions; the impact on the economy from any further terrorist activities; competitive factors, including pricing pressures, technological developments, new product offerings and the emergence of new competitors; interest rate trends and fluctuations; changes in federal and state taxes (including estate taxes); changes in the regulation of the financial services industry; or changes in other laws and regulations and their impact.

We undertake no obligation to publicly correct or update any forward looking statements, whether as a result of new information, future developments or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our press releases and filings with the SEC. In particular, you should read the discussion in the section entitled "External Trends and Forward Looking Information," and other sections it may reference, in our most recent 10-K report to the SEC, as it may be updated in our subsequent 10-Q and 8-K reports. That discussion covers certain risks, uncertainties and possibly inaccurate assumptions that could cause our actual results to differ materially from expected and historical results. Other factors besides those listed there could also adversely affect our performance.

PART II. OTHER INFORMATION JEFFERSON-PILOT CORPORATION

Item 1. Legal Proceedings

The registrant is involved in various claims and lawsuits incidental to and in the ordinary course of its business. In the opinion of management, the ultimate liability will not have a material effect on the financial condition or liquidity of the Company, but could have a material adverse effect on the results of operations for a specified period.

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Item 4. None not previously reported

Item 6. Exhibits and Reports on Form 8-K

(a) Reports on Form 8-K

There were none filed during the third quarter of 2001.

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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.

JEFFERSON-PILOT CORPORATION

By (Signature) /s/Theresa M. Stone
(Name and Title) Theresa M. Stone, Executive Vice President,
Chief Financial Officer and Treasurer

Date November 13, 2001

By (Signature) /s/Reggie D. Adamson
(Name and Title) Reggie D. Adamson, Senior Vice President - Finance
(Principal Accounting Officer)

Date November 13, 2001

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