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AMERUS GROUP CO/IA  
Form 10-Q  
May 15, 2001

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q  
-----

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER 000-30898

AMERUS GROUP CO.  
(Exact name of Registrant as specified in its charter)

699 WALNUT STREET  
DES MOINES, IOWA 50309-3948  
(Address of principal executive offices)

IOWA  
(State or other jurisdiction of  
incorporation or organization)

42-1458424  
(I.R.S. Employer  
Identification No.)

Registrant's telephone number, including area code (515) 362-3600

Indicate by check mark 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 (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

The number of shares outstanding of each of the Registrant's classes of common stock on May 9, 2001 was as follows:

Common Stock 30,025,629 shares

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SAFE HARBOR STATEMENT

All statements, trend analyses and other information contained in this

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report relative to markets for the Company's products and trends in the Company's operations, liquidity or financial results, as well as other statements including words such as "anticipate", "believe", "plan", "estimate", "expect", "intend", and other similar expressions, constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause actual results to be materially different from those contemplated by the forward-looking statements. Such factors include, among other things: (1) general economic conditions and other factors, including prevailing interest rate levels and stock market performance, which may affect the ability of the Company to sell its products, the market value of the Company's investments and the lapse rate and profitability of policies; (2) the Company's ability to achieve anticipated levels of operational efficiencies and cost-saving initiatives and to meet cash requirements based upon projected liquidity sources; (3) customer response to new products, distribution channels and marketing initiatives; (4) mortality, morbidity, and other factors which may affect the profitability of the Company's insurance products; (5) changes in the Federal income tax laws and regulations which may affect the relative tax advantages of some of the Company's products; (6) increasing competition in the sale of insurance and annuities; (7) regulatory changes or actions, including those relating to regulation of insurance products and of insurance companies; (8) ratings assigned to the Company and its subsidiaries by independent rating organizations which the Company believes are particularly important to the sale of its products; (9) the performance of the investment portfolio; (10) the impact of purchase accounting adjustments; (11) the Indianapolis Life Insurance Company anticipated completion dates; and (12) unanticipated litigation. There can be no assurance that other factors not currently anticipated by management will not also materially and adversely affect the Company's results of operations.

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### PART I - FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS

AMERUS GROUP CO.  
CONSOLIDATED BALANCE SHEETS  
(\$ in thousands)

	March 31, 2001	December 31, 2000
-----		
(unaudited)		
Assets		
Investments:		
Securities available-for-sale at fair value:		
Fixed maturity securities	\$ 8,612,195	\$ 8,261,647
Equity securities	162,247	152,903
Short-term investments	13,198	20,861
Fixed maturity securities held for trading purposes	36,441	--
Loans	563,638	534,857
Real estate	1,925	3,226

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Policy loans	311,123	312,662
Other investments	294,868	320,650
	-----	-----
Total investments	9,995,635	9,606,806
Cash and cash equivalents	44,517	65,485
Accrued investment income	123,356	114,034
Premiums, fees and other receivables	8,086	9,652
Income taxes receivable	2,987	--
Reinsurance receivables	8,941	6,529
Deferred policy acquisition costs	423,293	437,312
Value of business acquired	430,601	468,430
Goodwill	186,420	183,491
Property and equipment	55,287	56,101
Other assets	483,164	491,296
Assets of discontinued operations	31,401	32,386
	-----	-----
Total assets	\$11,793,688	\$11,471,522
	=====	=====

See accompanying notes to consolidated financial statements.

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AMERUS GROUP CO.  
CONSOLIDATED BALANCE SHEETS  
(\$ in thousands)

	March
	2001
	-----
	(unaudited)
Liabilities and Stockholders' Equity	
Policy reserves and policyowner funds:	
Future life and annuity policy benefits	\$ 9,712
Policyowner funds	324
	-----
	10,037
Accrued expenses and other liabilities	225
Dividends payable to policyowners	180
Policy and contract claims	11
Income taxes payable	
Deferred income taxes	46
Notes and contracts payable	199
Liabilities of discontinued operations	19
	-----
Total liabilities	10,720
Company-obligated mandatorily redeemable preferred capital securities of subsidiary trusts holding solely junior subordinated debentures of the Company	197

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Stockholders' equity:

Preferred Stock, no par value, 20,000,000 shares authorized, none issued	30
Common Stock, no par value, 230,000,000 shares authorized; 30,018,217 shares issued and outstanding in 2001 (net of 3,893 treasury shares) and 30,011,034 shares issued and outstanding in 2000	810
Paid-in capital	18
Accumulated other comprehensive income (loss)	
Unearned compensation	
Unallocated ESOP shares	
Retained earnings	17
Total stockholders' equity	875
Total liabilities and stockholders' equity	\$ 11,793

See accompanying notes to consolidated financial statements.

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AMERUS GROUP CO.  
CONSOLIDATED STATEMENTS OF INCOME  
(\$ in thousands, except per share data)  
(Unaudited)

	For The Three Months Ended March 31,	
	2001	2000
Revenues:		
Insurance premiums	\$ 66,592	\$ 69,125
Universal life and annuity product charges	24,266	23,277
Net investment income	181,128	173,612
Realized/unrealized gains (losses) on investments	(39,835)	2,903
Other income	10,332	6,533
	242,483	275,450
Benefits and expenses:		
Policyowner benefits	129,909	163,704
Underwriting, acquisition and other expenses	31,334	26,997
Reorganization costs	--	1,210
Amortization of deferred policy acquisition costs and value of business acquired	25,271	26,047
Dividends to policyowners	19,158	16,169
	205,672	234,127
Income from continuing operations	36,811	41,323
Interest expense	7,332	7,145

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Income before income tax expense and minority interest	29,479	34,178
Income tax expense	10,021	12,587
Minority interest	--	6,606
Net income from continuing operations	19,458	14,985
Discontinued operations (net of tax):		
Income (loss) from discontinued operations	414	(205)
Net income before cumulative effect of change in accounting for derivatives	19,872	14,780
Cumulative effect of change in accounting for derivatives, net of tax	(8,236)	--
Net income	\$ 11,636	\$ 14,780
Net income from continuing operations per common share:		
Basic	\$ 0.65	\$ 0.86
Diluted	\$ 0.64	\$ 0.86
Net income from discontinued operations per common share:		
Basic	\$ 0.01	\$ (0.01)
Diluted	\$ 0.01	\$ (0.01)
Net income per common share:		
Basic	\$ 0.39	\$ 0.85
Diluted	\$ 0.38	\$ 0.85
Weighted average common shares outstanding:		
Basic	29,973,039	17,390,165
Diluted	30,365,387	17,453,374

See accompanying notes to consolidated financial statements.

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AMERUS GROUP CO.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(\$ in thousands)  
(Unaudited)

For The Three Months Ended  
March 31,  
2001 2000

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Net income	\$ 11,636	\$ 14,780
Other comprehensive income, before tax:		
Unrealized gains (losses) on securities:		
Transfer related to unrealized gain on available-		
for-sale securities reclassified to trading	662	--
Unrealized holding gains arising during period	34,210	9,050
Less: reclassification adjustment for gains (losses)		
included in net income	(7,415)	3,550
	-----	-----
Other comprehensive income, before tax	42,287	5,500
Income tax (expense) related to items of other		
comprehensive income	(14,800)	(1,925)
	-----	-----
	27,487	3,575
Amounts attributable to:		
Minority interest	--	(1,693)
Change in accounting for derivatives	2,661	--
	-----	-----
Other comprehensive income, net of taxes	30,148	1,882
	-----	-----
Comprehensive income	\$ 41,784	\$ 16,662
	=====	=====

See accompanying notes to consolidated financial statements.

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AMERUS GROUP CO.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
March 31, 2001  
(\$ in thousands)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)
	-----	-----	-----
Balance at December 31, 1999	\$ --	\$ --	\$ (78,628)
2000:			
Net income	--	--	--
Net unrealized gain (loss) on securities	--	--	67,641
Stock issued under various incentive			
plans, net of forfeitures	6	169	--
Dividends declared on common stock	--	--	--
Allocation of shares in leveraged ESOP	--	600	--
Minority interest ownership changes	--	--	(177)
Acquisition of minority interest	12,615	285,405	--
Demutualization of AmerUs Group	17,390	518,535	--
Other	--	5,185	--
	-----	-----	-----
Balance at December 31, 2000	\$ 30,011	\$ 809,894	\$ (11,164)

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=====				
2001: (unaudited)				
Net income	--	--	--	
Change in accounting for derivatives	--	--	2,661	
Transfer related to unrealized gain on available-for-sale securities reclassified to trading	--	--	662	
Net unrealized gain (loss) on securities	--	--	29,634	
Net unrealized gain (loss) on derivatives designated as cash flow hedges	--	--	(2,809)	
Stock issued under various incentive plans, net of forfeitures	17	474	--	
Purchase of treasury stock	(10)	(289)	--	
	-----			
Balance at March 31, 2001	\$ 30,018	\$ 810,079	\$ 18,984	
	=====			
	Unallocated			
	ESOP	Unassigned	Retained	Sto
	Shares	Surplus	Earnings	
	-----			
Balance at December 31, 1999	\$ (797)	\$ 840,962	\$ --	\$ 7
2000:				
Net income	--	33,801	18,039	
Net unrealized gain (loss) on securities	--	--	--	
Stock issued under various incentive plans, net of forfeitures	--	273	--	
Dividends declared on common stock	--	--	(11,972)	(
Allocation of shares in leveraged ESOP	695	--	--	
Minority interest ownership changes	(2)	94	--	
Acquisition of minority interest	--	--	--	2
Demutualization of AmerUs Group	(579)	(875,130)	--	(3
Other	--	--	--	
	-----			
Balance at December 31, 2000	\$ (683)	\$ --	\$ 6,067	\$ 8
	=====			
2001: (unaudited)				
Net income	--	--	19,872	
Change in accounting for derivatives	--	--	(8,236)	
Transfer related to unrealized gain on available-for-sale securities reclassified to trading	--	--	--	
Net unrealized gain (loss) on securities	--	--	--	
Net unrealized gain (loss) on derivatives designated as cash flow hedges	--	--	--	
Stock issued under various incentive plans, net of forfeitures	--	--	--	
Purchase of treasury stock	--	--	--	
	-----			
Balance at March 31, 2001	\$ (683)	\$ --	\$ 17,703	\$ 8
	=====			

See accompanying notes to consolidated financial statements.



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AMERUS GROUP CO.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(\$ in thousands)  
(Unaudited)

	For The Three Months Ended March 31,	
	2001	2000
	-----	
Cash flows from operating activities:		
Net Income	\$ 11,636	\$ 14,780
Less: (Income) loss from discontinued operations	(414)	205
Less: Cumulative effect of change in accounting for derivatives	8,236	--
	-----	
	19,458	14,985
Adjustments to reconcile net income to net cash provided by operating activities:		
Policyowner assessments on universal life and annuity products	(17,448)	(16,636)
Interest credited to policyowner account balances	84,075	79,092
Change in option value of equity-indexed annuity reserves	(34,969)	--
Realized/unrealized investment (gains) losses	39,835	(2,903)
Goodwill amortization	1,943	2,062
VOBA amortization	18,492	8,983
Minority interest	--	6,606
Change in:		
Accrued investment income	(9,322)	(9,590)
Reinsurance receivables	(2,412)	11,086
Fixed maturity securities held for trading purposes	(10,049)	--
Deferred policy acquisition costs	(45,293)	(31,440)
Liabilities for future policy benefits	5,055	33,185
Policy and contract claims and other policyowner funds	(307)	(1,266)
Income taxes:		
Current	(11,812)	(12,786)
Deferred	15,364	13,241
Other, net	(32,007)	(26,055)
	-----	
Net cash provided by (used in) operating activities	20,603	68,564
	-----	
Cash flows from investing activities:		
Purchase of fixed maturities available-for-sale	(860,573)	(599,671)
Maturities, calls and principal reductions of fixed maturities available-for-sale	655,308	463,740
Purchase of equity securities	(43,010)	(109,636)
Proceeds from sale of equity securities	34,649	3,178
Change in short-term investments, net	7,241	--
Purchase of loans	(21,443)	(23,990)

AMERUS GROUP CO.  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (\$ in thousands)  
 (Unaudited)

	For The Three Months Ended March 31,	
	2001	2000
	-----	
Proceeds from repayment and sale of loans	14,212	146,737
Purchase of real estate and other invested assets	(19,060)	(33,680)
Proceeds from sale of real estate and other invested assets	13,695	39,513
Change in policy loans, net	1,539	(4,190)
Other assets, net	(4,433)	(2,407)
Purchase of minority interest	--	(1,522)
	-----	
Net cash (used in) investing activities	(221,875)	(121,928)
	-----	
Cash flows from financing activities:		
Deposits to policyowner account balances	548,022	325,060
Withdrawals from policyowner account balances	(351,814)	(344,565)
Change in debt, net	(16,120)	(13,034)
Dividends to shareholders	--	(1,265)
Other, net	216	208
	-----	
Net cash provided by (used in) financing activities	180,304	(33,596)
	-----	
Net increase (decrease) in cash	(20,968)	(86,960)
Cash and cash equivalents at beginning of period	65,485	297,698
	-----	
Cash and cash equivalents at end of period	\$ 44,517	\$ 210,738
	=====	
Supplemental disclosure of cash activities:		
Interest paid	\$ 7,833	\$ 7,377
	=====	
Income taxes paid	\$ 3,495	\$ 11,613
	=====	

See accompanying notes to consolidated financial statements.

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AMERUS GROUP CO.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

### (1) SUMMARY OF BUSINESS ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### NATURE OF OPERATIONS

AmerUs Group Co. (Company) is a holding company engaged through its subsidiaries in the business of marketing, underwriting and distributing a broad range of individual life insurance and annuity products to individuals and businesses in 49 states, the District of Columbia and the U.S. Virgin Islands. The Company also owns a real estate management company in which it conducts limited real estate management, development, syndication and marketing activities. The Company has two reportable operating segments: Life Insurance and Annuities. The Life Insurance segment's primary product offerings consist of whole life, universal life and term life insurance policies. The primary product offerings of the Annuity segment are fixed annuities.

The Company sold certain lines of business and made the decision to exit certain other businesses in 1998. These businesses are referred to as discontinued operations and include the following activities: banking, residential real estate brokerage, residential land development, and mortgage banking.

#### REORGANIZATION

The Company was formerly known as American Mutual Holding Company (AMHC) and was a mutual insurance holding company whose principal asset was a 58% interest in AmerUs Life Holdings, Inc. (ALHI). Public stockholders owned the remaining 42% interest in ALHI (Minority Interest). ALHI was a holding company which directly or indirectly owned three principal life insurance subsidiaries: AmerUs Life Insurance Company (AmerUs), American Investors Life Insurance Company (American) and Delta Life and Annuity Company (Delta). On September 20, 2000, AMHC converted to stock form, changed its name to AmerUs Group Co. and acquired the Minority Interest of ALHI by issuing AmerUs Group Co. common stock in exchange for the outstanding shares of ALHI held by the public. The value of the stock exchange was approximately \$298 million and ALHI merged into the Company simultaneously with the stock exchange.

Prior to the conversion of the Company to a stock form, the Company was owned by individuals and entities who held insurance policies or annuity contracts issued by AmerUs (Members). In the conversion, which is referred to as a "demutualization", the Company distributed cash, policy credits and its newly issued common stock to its Members in exchange for their membership interests. The value of the distribution totaled approximately \$792 million.

The acquisition of the ALHI minority interest by the Company was accounted for as a purchase and, accordingly, 42% of the book value of the assets and liabilities of ALHI were adjusted to market value as of the acquisition date. Approximately 42% of the ALHI earnings for the reporting periods up to the acquisition date are reduced from the Company's results of operations on the line titled "Minority interest" on the Company's Consolidated Statements of Income. From the acquisition date forward, the Company's results of operations include 100% of these earnings.

#### CONSOLIDATION AND BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial

information and 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 GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All adjustments were of a normal recurring nature, unless otherwise noted in Management's Discussion and Analysis and the Notes to Financial Statements. Operating results for the three months ended March 31, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001 (see further discussion in Management's Discussion and Analysis). For further information and for capitalized terms not defined in this 10-Q, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

Certain amounts in the 2000 financial statements have been reclassified to conform to the 2001 financial statement presentation.

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with GAAP, universal life insurance premiums and annuity deposits received are reflected as increases in liabilities for policyowner account balances and not as revenues. Revenues reported for universal life and annuity products consist of policy charges for the cost of insurance, administration charges and surrender charges assessed against policyowner account balances. Surrender benefits paid relating to universal life insurance policies and annuity products are reflected as decreases in liabilities for policyowner account balances and not as expenses. Amounts for interest credited to universal life and annuity policyowner account balances and benefit claims in excess of policyowner account balances are reported as expenses in the financial statements. The Company receives investment income earned from the funds deposited into account balances by universal life and annuity policyowners, the majority of which is passed through to such policyowners in the form of interest credited.

Premium revenues reported for traditional life insurance products are recognized as revenues when due. Future policy benefits and policy acquisition costs are recognized as expenses over the life of the policy by means of a provision for future policy benefits and amortization of deferred policy acquisition costs.

The costs related to acquiring new business, including certain costs of issuing policies and certain other variable selling expenses (principally commissions), defined as policy acquisition costs, are deferred. The method of amortizing deferred policy acquisition costs for life insurance products varies, dependent upon whether the contract is participating or non-participating. Participating contracts are those which are expected to pay dividends to policyowners in proportion to their relative contribution to the Company's statutory surplus. Non-participating life insurance deferred policy acquisition costs are amortized over the premium-paying period of the related policies in proportion to the ratio of annual premium revenues to total anticipated premium revenues using assumptions consistent with those used in computing policy benefit reserves. Deferred policy acquisition costs for participating policies are amortized as an expense primarily in proportion to expected profits or margins from such policies. This amortization is adjusted when current or estimated future gross profits or margins on the underlying policies vary from previous estimates. For example, the amortization of deferred policy acquisition costs is accelerated when policy terminations are higher than originally

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estimated or when investments supporting the policies are sold at a gain prior to their anticipated maturity. Death and other policyowner benefits reflect exposure to mortality risk and fluctuate from period to period based on the level of claims incurred within insurance retention limits. The profitability of the Company is primarily affected by expense levels, interest spread results (i.e. the excess of investment earnings over the interest credited to policyowners) and fluctuations in mortality, persistency and other policyowner benefits. The Company has the ability to mitigate adverse experience through adjustments to credited interest rates, policyowner dividends or cost of insurance charges.

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Basic earnings per share of common stock are computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share assumes the issuance of common shares applicable to stock options and warrants calculated using the treasury stock method.

### (2) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and SFAS No. 138, which requires that all derivative instruments, including certain derivative instruments embedded in other contracts, be reported on the balance sheet at fair value. Accounting for gains and losses resulting from changes in the values of derivatives is dependent upon the use of the derivative and its qualification for special hedge accounting. In accordance with the provisions of SFAS No. 133, the Company recorded a transition adjustment as of January 1, 2001 upon adoption of the standard to recognize its derivative instruments at fair value resulting in a pre-tax reduction to income of \$12.4 million (\$8.2 million after-tax) and an increase to Accumulated Other Comprehensive Income (AOCI) of \$2.7 million. The reduction to income, which is classified as a "cumulative effect of change in accounting for derivatives, net of tax" in the Consolidated Statements of Income, is attributable to losses on basis swaps that were natural hedges and losses on interest rate swaps reclassified from AOCI that have been redesignated as cash flow hedges of floating rate funding agreement liability effective January 1, 2001. In addition, the reduction to income includes adjustments to fair value for options being used to hedge embedded options contained within equity-indexed annuity products. The increase in AOCI, which is classified as "change in accounting for derivatives" in the Consolidated Statements of Comprehensive Income, is attributable to the reclassification of the interest rate swap's fair value adjustment from AOCI to the Consolidated Statements of Income.

The Company uses financial instruments, including options, futures, swaps, caps and swaptions to reduce its exposure to changes in interest rates and to manage duration mismatches. The Company also uses call options to hedge equity-indexed annuity products. The use of these financial instruments modifies the exposure of these risks with the intent to reduce the risk and variability to the Company. Although the Company is subject to the risk that counterparties will fail to perform, credit standings of counterparties are monitored regularly. The Company only enters into transactions with highly-rated counterparties. The Company is not a party to leveraged derivatives.

Initially, upon adoption of the new derivative accounting requirements, and prospectively, on the date a derivative contract is entered into, the Company

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designates the derivative as either (1) a hedge of a recognized asset or liability or an unrecognized firm commitment (a fair value hedge), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (a cash flow hedge), or (3) a natural hedging instrument whose change in fair value is recognized to act as an economic hedge against changes in the values of the hedged item and which does not meet the accounting hedge criteria for SFAS No. 133 (a natural hedge).

For fair value hedges, both the effective and ineffective portion of the changes in the fair value of the derivative, along with the gain or loss on the hedged item that is attributable to the hedged risk, are recorded in earnings and reported net in the Consolidated Statements of Income. The effective portion of the changes in the fair value of a derivative that is designated as a cash flow hedge is recorded in AOCI. When the hedged cash transaction is realized, the gain or loss included in AOCI is reported net in the Consolidated Statements of Income with the hedge cash transaction item. In addition, the ineffective portion of the changes in the fair value of derivatives designated as cash flow hedges are reported in net investment income in the Consolidated Statements of Income. For derivatives designated as a natural hedge, changes in fair value are classified as realized/unrealized gains (losses) on investments in the Consolidated Statements of Income.

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The Company formally documents its hedge relationships, including identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. Free standing derivatives are recorded in the Consolidated Balance Sheets at fair value in other assets and option derivatives embedded in equity-indexed annuity products are marked to fair value and classified in the Consolidated Balance Sheets as "policy reserves and policyowner funds." This process includes linking derivatives that are designated as hedges of specific assets, liabilities, firm commitments or forecasted transactions. The Company also formally assesses at inception and at least quarterly thereafter, whether the derivatives that are used in hedging transactions, other than natural hedges, are highly effective in offsetting changes in either the fair value or cash flows of the hedged item. When a determination is made that a derivative ceases to be a highly effective hedge, the Company will discontinue hedge accounting.

To manage interest rate risk, the Company has entered into interest rate swaps that effectively fix the interest payments of a floating rate funding agreement liability. These interest rate swap agreements are accounted for as cash flow hedges.

The Company has equity-indexed annuity products that guarantee the return of principal to the customer and credits interest based on a percentage of the gain in the Standard & Poor's 500 Composite Stock Price Index(R) (S&P 500 Index). A portion of the premium from each customer is invested in investment grade fixed income securities to cover the minimum guaranteed value due the customer at the end of the term. A portion of the premium is used to purchase S&P 500 Index call options to hedge the growth in interest credited to the customer as a direct result of increases in the S&P 500 Index. The amounts to be paid or received pursuant to these agreements are accrued and recognized in income over the life of the agreements. Both call options held by the Company and the options embedded in the policy, which the Company has designated as a natural hedge, are valued at fair value. The change in fair value for the call options is included in realized/unrealized gains (losses) on investments and the change in fair value of the embedded options is included in policyowner benefits in the Consolidated Statements of Income.

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During the first quarter of 2001, realized/unrealized gains (losses) on investments included an unrealized loss of \$33.3 million from the change in fair value on call options used as a natural hedge of embedded options within equity-indexed annuities. Policyowner benefits included an offsetting adjustment from fair value changes in options embedded within the equity-indexed products of \$35.0 million. In addition, basis swaps were terminated during the quarter and an increase in fair value of \$1.8 million on those swaps was included in net investment income. AOCI included an unrealized loss of \$2.8 million from the fair value change in interest rate swaps used to hedge the floating rate funding agreement liability. The Company estimates that \$0.5 million of derivative losses included in AOCI will be reclassified into earnings within the next twelve months. The ineffectiveness of the interest rate swap cash flow hedge was not considered significant for the first quarter of 2001.

The following table summarizes the impact of adopting SFAS No. 133 in the cumulative effect of charge in accounting for derivatives as of January 1, 2001 and the derivative activity in the first quarter of 2001:

	Cumulative Effect of Change in Accounting for Derivatives January 1, 2001	Quarter Ended March 31, 2001
	-----	-----
Basis swaps (A)	\$ (921)	\$ --
Separate account swap (B)	(4,100)	--
Options on equity-indexed annuities	(4,056)	(33,290)
Equity-indexed annuity liabilities	(1,335)	34,969
Deferred (loss) (C)	(899)	--
Deferred policy acquisition cost amortization impact of net equity-indexed annuity adjustments	(1,127)	(773)
	-----	-----
Pre-tax total	(12,438)	906
Income taxes	4,202	(317)
	-----	-----
After-tax total	\$ (8,236)	\$ 589
	=====	=====

- (A) Terminated during first quarter 2001.  
 (B) Future adjustments are through AOCI.  
 (C) Balance eliminated in transition adjustment.

The cumulative effect of change in accounting for derivatives per common share in the first quarter 2001 was:

Basic	\$0.27
Diluted	\$0.27

Weighted average common shares outstanding:

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Basic	29,973,039
Diluted	30,365,387

### (3) CLOSED BLOCK

The Closed Block was established on June 30, 1996 in connection with the reorganization of AmerUs to a stock form. Insurance policies which had a dividend scale in effect as of June 30, 1996, were included in the Closed Block. The Closed Block was designed to provide reasonable assurance to owners of insurance policies included therein that, after the reorganization of AmerUs, assets would be available to maintain the dividend scales and interest credits in effect prior to the reorganization if the experience underlying such scales and credits continues. Effective with the first quarter of 2001, the Company has adopted the Accounting Standards Executive Committee's Statement of Position 00-3 (SOP 00-3) "Accounting by Insurance Enterprises for Demutualizations and Formations of Mutual Holding Companies and for Certain Long-Duration Participating Contracts." The provisions of SOP 00-3 required the Company to modify its presentation of the Closed Block in its Consolidated Financial Statements to no longer show the operations of the Closed Block and the assets and liabilities of the Closed Block as single line items. In addition, the SOP required the Company to report unrealized gains and losses on Closed Block investments as a component of the Closed Block policyholder dividend obligation rather than AOCI. At March 31, 2001, there was an unrealized gain of \$22.5 million included in the policyholder dividend obligation.

Summarized financial information of the Closed Block balance sheet as of March 31, 2001 and December 31, 2000 and statements of income for the three months ended March 31, 2001 and 2000 are as follows:

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	March 31, 2001	December 31, 2000
-----		
(unaudited)		
(\$ in thousands)		
<b>Assets:</b>		
Securities available-for-sale at fair value:		
Fixed maturity securities	\$1,221,995	\$1,191,592
Policy loans	201,470	201,092
Other investments	5,296	2,934
Cash and cash equivalents	5,853	3,025
Accrued investment income	16,389	16,811
Premiums and fees receivable	1,075	7,062
Deferred policy acquisition costs	46,154	48,126
Value of business acquired	69,688	71,830
Other assets	46,669	41,885
	-----	-----
Total Assets	\$1,614,589	\$1,584,357
	=====	=====
<b>Liabilities:</b>		
Future life and annuity policy benefits	\$1,659,319	\$1,654,784
Policyowner funds	5,290	5,081
Accrued expenses and other liabilities	36,552	34,689
Dividends payable to policyowners	176,076	154,603
Policy and contract claims	6,609	5,495



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Total Liabilities	\$1,883,846	\$1,854,652
	=====	
	-----	
	Three Months Ended March 31,	2000
	2001	
	-----	
Revenues and expenses:		
Insurance premiums	\$ 44,848	\$ 48,974
Universal life and annuity product charges	3,314	3,091
Net investment income	29,393	27,294
Realized gains (losses) on investments	244	40
Policyowner benefits	(48,823)	(53,951)
Underwriting, acquisition and other expenses	(766)	(828)
Amortization of deferred policy acquisition costs and value of business acquired	(4,114)	(3,727)
Dividends to policyowners	(17,627)	(15,033)
	-----	
Contribution from the Closed Block before income taxes	\$ 6,469	\$ 5,860
	=====	

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(4) DEBT AND CAPITAL SECURITIES

Debt consists of the following:

	March 31, 2001	December 31, 2000
	-----	-----
	(unaudited)	
(\$ in thousands)		
Federal Home Loan Bank community investment long-term advances with a weighted average interest rate of 6.28% at March 31, 2001 (A)	\$ 15,507	\$ 15,627
Senior notes bearing interest at 6.95% due June, 2005	125,000	125,000
Revolving credit agreement	59,000	75,000
	-----	-----
	\$199,507	\$215,627
	=====	=====
AmerUs Capital I 8.85 % Capital Securities Series A due February 1, 2007	\$ 68,900	\$ 68,900
AmerUs Capital II 7.00 % Adjustable Conversion-rate Equity Security Units are due July 27, 2003 (B)	128,791	128,791
	-----	-----

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\$197,691	\$197,691
=====	=====

(A) The Company has multiple credit arrangements with the Federal Home Loan Bank (FHLB). In addition to the long-term advances disclosed above, the Company is eligible to borrow under variable-rate short term fed funds arrangements of which no amount was outstanding at March 31, 2001. These borrowings are secured and interest is payable at the current rate at the time of any advance.

(B) The annual distribution rate paid on the ACES units was reset effective April 27, 2001 to 7.819%. The previous annual distribution rate was 6.86%. Each holder of a unit is entitled to receive a quarterly cash payment which consists of interest on the Quarterly Income Preferred Security (QUIPS) at the annual distribution rate plus contract fees of 0.14%. A call option which permitted Goldman Sachs & Co., an investment banking firm and lead underwriter of the security, to acquire the QUIPS portion of the ACES Unit has expired without exercise.

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For an additional discussion of the terms of the above indebtedness refer to the Company's consolidated financial statements as of December 31, 2000.

### (5) FEDERAL INCOME TAXES

The effective income tax rate for the three months ending March 31, 2001 and 2000 varied from the prevailing corporate rate primarily as a result of goodwill amortization, non-deductible reorganization costs, low income housing and rehabilitation credits, and tax exempt income.

### (6) COMMITMENTS AND CONTINGENCIES

The Company is obligated to make future capital contributions to various partnerships of up to \$7.8 million. The Company has also agreed to loan up to \$6.9 million to newly formed partnerships.

The Company is party to financial instruments in the normal course of business to meet the financing needs of its customers having risk exposure not reflected in the balance sheet. These financial instruments include commitments to extend credit, guarantees and standby letters of credit. Commitments to extend credit are agreements to lend to customers. Commitments generally have fixed expiration dates and may require payment of a fee. Since many commitments expire without being drawn upon, the total amount of commitments does not necessarily represent future cash requirements. The Company has also guaranteed two loans for a fee. At March 31, 2001, outstanding commitments to extend credit totaled approximately \$34.9 million and loan guarantees totaled approximately \$6.2 million.

The Company has an agreement with Bank One, N.A. whereby the Company guarantees the payment of loans made to certain of the Company's managers and executives for the purpose of purchasing Common Stock and ACES pursuant to the Executive Stock Purchase Program. The liability of the Company in respect to the principal amount of loans is limited to \$25 million. The Company has also guaranteed interest and all other fees and obligations owing on the loans. Each participant in the program has agreed to repay the Company for any amounts paid by the Company under the guarantee in accordance with a reimbursement agreement

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entered into between the participant and the Company.

AmerUs and its joint venture partner, Ameritas Life Insurance Corp. (Ameritas), are contingently liable in the event the joint venture, Ameritas Variable Life Insurance Company (AVLIC), cannot meet its obligations. At March 31, 2001, AVLIC had statutory assets of \$2,212.5 million, liabilities of \$2,151.2 million, and surplus of \$61.3 million. AmerUs also has an outstanding commitment to lend AMAL Corporation (AMAL), AVLIC's parent company, approximately \$2.7 million upon AMAL's request before September 1, 2001.

In the ordinary course of business, the Company and its subsidiaries are engaged in certain litigation, none of which management believes is material to the Company's results of operations.

### (7) ACQUISITIONS

Under the terms of the joint venture AmerUs participates in with Ameritas, AmerUs had an option to purchase an additional 5% to 15% of AMAL if certain premium growth targets are met. AmerUs met the premium growth target requirement for one 5% purchase option in January 2001. AmerUs exercised the option on March 28, 2001 and acquired an additional 5% ownership interest in AMAL for \$7.2 million. AmerUs' ownership percentage in AMAL is now 39% and AmerUs' option is now to purchase an additional 5% to 10% of AMAL.

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### (8) PROPOSED COMBINATION

On February 18, 2000, the Company and Indianapolis Life Insurance Company (ILICO) entered into a definitive agreement for a combination of the companies. Under the original terms of the agreement, ILICO would demutualize and ILICO's members would receive cash, policy credits and stock equivalent to the value of 11.25 million shares of the Company's stock and ILICO would become a wholly-owned subsidiary of the Company. However, on September 18, 2000 the terms of the agreement were revised to reduce the consideration to the value of 9.3 million shares. The reduction in the number of shares was based on several factors, including increased expenses related to ILICO's demutualization, increased terminations of existing fixed annuities issued by ILICO's annuity subsidiary, and a decrease in revenues and earnings in ILICO's annuity subsidiary operations. These factors were partially offset by stronger than expected performance of ILICO itself.

As part of the transaction, the Company made an investment of \$100 million in a downstream holding company of ILICO in February, 2000.

ILICO is a 95-year old mutual life insurance and annuity company based in Indianapolis, Indiana. ILICO and its subsidiaries are licensed to do business in all 50 states and the District of Columbia. At March 31, 2001, ILICO had total assets of \$5.8 billion and insurance in force of \$32.6 billion.

The combination transaction is subject to normal closing conditions, including certain approvals. The Company expects the demutualization of ILICO and combination into the Company to take place in the second quarter of 2001.

### (9) OPERATING SEGMENTS

The Company has two operating segments: Life Insurance and Annuities. Products generally distinguish a segment. A brief description of each segment

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follows:

### LIFE INSURANCE

The primary product offerings consist of whole life, universal life and term life insurance policies. These products are marketed on a national basis primarily through a Preferred Producer agency system and a Personal Producing General Agent (PPGA) distribution system.

### ANNUITIES

The Annuity segment markets individual fixed annuities on a national basis primarily through independent brokers and marketing companies. The Annuity segment also includes one insurance contract issued to a commercial paper conduit.

The Company uses the same accounting policies and procedures to measure operating segment income and assets as it uses to measure its consolidated income from operations and assets with the exception of the elimination of certain items which management believes are not necessarily indicative of overall operating trends. For example, net realized capital gains or losses on investments, excluding gains or losses on convertible debt which are considered core earnings, are not included as part of operating segment income. These items are shown between adjusted pre-tax operating income and income from operations on the following operating segment income tables. Operating segment income is generally income before non-core realized gains and losses, interest expense, income tax and income or loss from discontinued operations. Premiums, product charges, policyowner benefits, insurance expenses, amortization of deferred policy acquisition costs and VOBA and dividends to policyowners are attributed

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directly to each operating segment. Net investment income and core realized gains and losses on investments are allocated based on directly-related assets required for transacting the business of that segment. Other revenues and benefits and expenses which are deemed not to be associated with any specific segment are grouped together in the All Other category. These items primarily consist of holding company revenues and expenses and the operations of the Company's real estate management subsidiary.

Assets are segmented based on policy liabilities directly attributable to each segment. There are no significant intersegment transactions. There have been no material changes in segment assets since December 31, 2000.

Operating segment income is as follows:

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Operating Segment Income  
(\$ in thousands)

For The Three Months Ended March 31, 2001

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	Life Insurance	Annuities	All
Revenues:			
Insurance premiums	\$ 61,951	\$ 4,613	\$
Universal life and annuity product charges	17,134	7,132	
Net investment income	53,031	127,188	
Core realized/unrealized gains (losses) on investments	244	(32,638)	
Other income	--	8,057	
	132,360	114,352	
Benefits and expenses:			
Policyowner benefits	74,532	55,388	
Underwriting, acquisition, and other expenses	14,140	14,517	
Amortization of deferred policy acquisition costs and value of business acquired, net of non-core adjustment of (\$2,317)	9,609	17,979	
Dividends to policyowners	19,158	--	
	117,439	87,884	
Adjusted pre-tax operating income	\$ 14,921	\$ 26,468	\$
Non-core realized (losses) on investments			
Amortization of deferred policy acquisition costs due to non-core realized gains or losses			
Reorganization costs			
Income from continuing operations			
Interest (expense)			
Income tax (expense)			
Minority interest			
Income from discontinued operations, net of tax			
Cumulative effect of change in accounting for derivatives, net of tax			
Net income			

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Operating Segment Income  
(\$ in thousands)

For The Three Months Ended March 31, 2000

	Life Insurance	Annuities	All Oth
Revenues:			
Insurance premiums	\$ 63,281	\$ 5,883	\$ (39
Universal life and annuity product charges	14,787	8,490	--
Net investment income	52,958	113,686	6,968
Core realized/unrealized gains on investments	40	2,294	--

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Other income	--	4,165	2,368
	-----	-----	-----
	131,066	134,518	9,297
Benefits and expenses:			
Policyowner benefits	75,957	87,575	172
Underwriting, acquisition, and other expenses	10,612	11,390	4,995
Amortization of deferred policy acquisition costs and value of business acquired, net of non-core adjustment of \$620	9,537	15,890	--
Dividends to policyowners	16,169	--	--
	-----	-----	-----
	112,275	114,855	5,167
	-----	-----	-----
Adjusted pre-tax operating income	\$ 18,791	\$ 19,663	\$ 4,130
	=====	=====	=====
Non-core realized gains on investments			
Amortization of deferred policy acquisition costs due to non-core realized gains or losses			
Reorganization costs			
Income from continuing operations			
Interest (expense)			
Income tax (expense)			
Minority interest			
Income from discontinued operations, net of tax			
Cumulative effect of change in accounting for derivatives, net of tax			
Net income			

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following analysis of the consolidated results of operations and financial condition of the Company should be read in conjunction with the Consolidated Financial Statements and related notes.

NATURE OF OPERATIONS

The Company is a holding company engaged through its subsidiaries in the business of marketing, underwriting and distributing a broad range of individual life insurance and annuity products to individuals and businesses in 49 states, the District of Columbia and the U.S. Virgin Islands. The Company also owns a real estate management company through which it conducts limited real estate management, development, syndication and marketing activities. The Company has two reportable operating segments: Life Insurance and Annuities. The Life Insurance segment's primary product offerings consist of whole life, universal life and term life insurance policies. The primary product offerings of the Annuity segment are individual fixed annuities.

The Company sold certain lines of business and made the decision to exit certain other businesses in 1998. These businesses are referred to as

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discontinued operations and include the following activities: banking, residential real estate brokerage, residential land development, and mortgage banking.

### ADJUSTED NET OPERATING INCOME

The following table reflects net income adjusted to eliminate certain items (net of applicable income taxes and minority interest) which management believes do not necessarily indicate overall operating trends. For example, net realized capital gains or losses on investments, excluding gains or losses on convertible preferred stock and bonds which are considered core earnings, are eliminated. Net realized capital gains or losses on investments may be realized at the sole discretion of management and are often realized in accordance with tax planning strategies. Therefore, net realized capital gains or losses do not reflect the Company's ongoing earnings capacity. Different items are likely to occur in each period presented and others may have different opinions as to which items may warrant adjustment. Adjusted net operating income is the basis used by the Company in assessing its overall performance. Adjusted net operating income as described here may not be comparable to similarly titled measures reported by other companies. The adjusted net operating income shown below does not constitute net income computed in accordance with GAAP.

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	For the Three Months Ended March 31,	
	2001	2000
-----		
(\$ in thousands, except per share data)		
Net Income	\$ 11,636	\$ 14,780
Net non-core realized (gains) losses (A)	4,817	(1,357)
Net amortization of deferred policy acquisition costs due to non-core realized gains or losses (B)	(1,506)	234
Reorganization costs (C)	--	1,021
Discontinued operations (D)	(414)	205
Cumulative effect of change in accounting for derivatives (E)	8,236	--
-----		
Adjusted Net Operating Income	\$ 22,769	\$ 14,883
=====		
Adjusted Net Operating Income per common share (F):		
Basic	\$ 0.76	\$ 0.86
=====		
Diluted	\$ 0.75	\$ 0.85
=====		
Weighted average common shares outstanding (F):		
Basic	29,973,039	17,390,165
=====		
Diluted	30,365,387	17,453,374
=====		

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- (A) Represents total realized gains or losses on investments less core realized gains or losses (defined as gains or losses on the convertible preferred stock and bond portfolio) adjusted for income taxes and minority interest on such amounts. Non-core realized gains or losses may vary widely between periods. Such amounts are determined by management's timing of individual transactions and do not necessarily correspond to the underlying operating trends.
- (B) Represents amortization of deferred policy acquisition costs on the non-core realized gains or losses that are included in product margins, adjusted for income taxes and minority interest on such amounts.

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- (C) Represents costs directly related to the Company's reorganization and merger with ALHI, adjusted for minority interest on such amounts. These costs consist primarily of legal, actuarial and consulting expenses.
- (D) Represents the net income from the Company's discontinued operations.
- (E) Represents the cumulative effect of change in accounting for derivatives, net of tax, resulting from the Company's adoption of SFAS Nos. 133 and 138. These Statements are effective for fiscal years beginning after June 15, 2000.
- (F) The Company was formed in 1996 as a mutual holding company and therefore, had no shares of common stock outstanding until its demutualization on September 20, 2000. At that time, the Company distributed 17.4 million shares of its common stock to its former members and exchanged its common stock for the 12.9 million shares of common stock held by the public in ALHI on a one-for-one basis. The Company's operating income is primarily from its former subsidiary, ALHI. The Company has owned shares of ALHI common stock since 1996. Adjusted net operating income per share has been calculated on the basis that the shares of stock the Company owned of ALHI were distributed to members and outstanding from January 1, 1996 and the shares exchanged for ALHI shares were outstanding from the date of demutualization.

Adjusted net operating income increased \$7.9 million to \$22.8 million, or \$0.75 per diluted share, for the first quarter of 2001 compared to \$14.9 million, or \$0.85 per diluted share, for the first quarter of 2000. The increase in adjusted net operating income in 2001 was primarily attributable to the reduction in income applicable to the minority interest, growth in invested assets, and increased spreads. These changes are analyzed further in the operating segment discussion. While total adjusted net operating income increased between first quarter periods, adjusted net operating income per diluted share decreased. As explained in footnote (F) above, the diluted earnings per share is a pro forma calculation since the Company did not actually issue shares until its demutualization on September 20, 2000. The number of shares that the Company owned of ALHI has been used in the pro forma calculation since ALHI was the primary source of operating income for the Company. However, in the first quarter of 2000, the Company also had approximately \$2.0 million of after-tax operating income from cash equivalents it held. These cash equivalents were distributed to the Company's former Members in October 2000 in connection with the Company's reorganization discussed previously, and therefore are no longer a source of operating income for the Company. For comparison purposes with the Company's on-going operating structure, ALHI's diluted adjusted net



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operating income per share was \$0.65 for the first quarter of 2000 and ALHI's adjusted net operating income was \$19.5 million.

### OPERATING SEGMENTS

The Company has two reportable operating segments: Life Insurance and Annuities. Products generally distinguish a segment. The Company uses the same accounting policies and procedures to measure operating segment income as it uses to measure its consolidated income from operations with the exception of the elimination of certain items which management believes are not necessarily indicative of overall operating trends. These items are explained further in the Adjusted Net Operating Income section of Management's Discussion and Analysis of Results of Operations and Financial Condition. Revenues and benefits and expenses are primarily attributed directly to each operating segment. Net investment income and core realized gains and losses on investments are allocated based on the directly-related asset portfolios. Other revenues and expenses which are deemed not to be associated with any specific reportable segment are grouped together in the All Other category. These items primarily consist of holding company revenues and expenses and the operations of the Company's real estate management subsidiary. The Company assesses the performance of its operating segments before interest expense, income taxes, and minority interest. Income from operations and operating segment information do not

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include discontinued operations which are comprised of the former banking, residential real estate brokerage, residential land development, and mortgage banking activities of the Company.

### SALES

#### LIFE INSURANCE

The following table sets forth information regarding the Company's life insurance sales activity by product:

	Sales Activity by Product	
	Direct First Year Annualized Premiums	
	For the Three Months Ended March 31,	
	2001	2000
Traditional life insurance:		
Participating whole life	\$ 2,012	\$ 3,768
Term life	1,403	2,879
Universal life	1,649	4,230
Equity-indexed universal life	5,269	333
 Total	 \$ 10,333	 \$ 11,210

(\$ in thousands)

Life insurance sales as measured by annualized premiums were \$10.3 million in the first quarter of 2001 compared to \$11.2 million in the first quarter of 2000. As expected, term life sales declined fifty percent from first quarter 2000 as last year's sales were temporarily boosted by higher consumer demand

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driven by legislative changes taking effect January 1, 2000 which were anticipated to impact term product pricing. In addition, the Company has introduced several new universal life products over the past two years which has resulted in the shift in sales from participating life and term life products to universal life products as noted in the table above. In particular, the Company has introduced equity-indexed universal life products which allow the policyowner to elect an earnings strategy for a portion of the account value whereby earnings are credited based on increases in the S&P 500 Index, excluding dividends. The earnings credit is subject to a participation rate and an annual cap. In the first quarter of 2001, sales of these products were \$5.3 million as compared to \$0.3 million for the same period a year ago. The Company anticipates continued higher sales of these products as compared to last year.

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The following table sets forth the Company's life insurance collected premiums, including collected premiums associated with the Closed Block, for the periods indicated:

	Collected Premiums by Product For the Three Months Ended March 31,	
	2001	2000
-----		
(\$ in thousands)		
Individual life premiums collected:		
Traditional life:		
First year and single	\$ 20,064	\$ 21,552
Renewal	49,200	47,497
	-----	
Total	69,264	69,049
Universal life:		
First year and single	11,355	7,612
Renewal	19,821	19,239
	-----	
Total	31,176	26,851
Total individual life	100,440	95,900
Reinsurance assumed	509	372
Reinsurance ceded	(9,350)	(5,912)
	-----	
Total individual life, net of reinsurance	\$ 91,599	\$ 90,360
	=====	

Traditional life insurance premiums collected were \$69.3 million for the first quarter of 2001 compared to \$69.0 million for the first quarter of 2000. First year and single premium declined in 2001 as compared to 2000 which was consistent with the lower participating whole life and term life sales, as discussed previously. Renewal direct collected premium was \$1.7 million higher in 2001 as compared to 2000 primarily due to the maturing of the block of business.

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Universal life insurance premiums collected were \$31.2 million for the first quarter of 2001 compared to \$26.9 million for the same period in 2000. The increase in 2001 as compared to 2000 was primarily due to the new products introduced over the last two years as discussed previously.

Effective January 1, 2000, the Company entered into additional reinsurance agreements which effectively reduced the Company's retention limit to \$100,000 for the majority of policies issued since July 1, 1996 and for the majority of new business going forward. In addition, effective July 1, 2000, the Company entered into a reinsurance agreement covering its Closed Block policies. Under this agreement, the Company has reinsured approximately 90% of the Closed Block net amount at risk not previously reinsured. Reinsurance ceded was \$3.5 million higher for the first quarter of 2001 as compared to the first quarter of 2000 due to these additional reinsurance agreements.

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The following table sets forth information regarding the Company's life insurance in force for each date presented:

	Individual Life Insurance in Force As of March 31,	
	2001	2000
(\$ in thousands)		
Traditional life		
Number of policies	243,008	249,600
GAAP life reserves	\$ 1,756,249	\$ 1,664,907
Face amounts	\$ 23,612,008	\$ 22,593,911
Universal life		
Number of policies	113,357	112,779
GAAP life reserves	\$ 961,989	\$ 927,749
Face amounts	\$ 12,885,997	\$ 12,387,384
Total life insurance		
Number of policies	356,365	362,379
GAAP life reserves	\$ 2,718,238	\$ 2,592,656
Face amounts	\$ 36,498,005	\$ 34,981,295

While the total policy count continues to decline consistent with industry trends, the average size of policy continues to increase from \$96,500 in 2000 to \$102,400 in 2001. As a result, total insurance in force has grown to \$36.5 billion as of March 31, 2001.

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### ANNUITIES

The following table sets forth annuity collected premiums for the periods indicated:

Collected Premiums by Product For the Three Months Ended March 31,	
2001	2000

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(\$ in thousands)

Fixed annuities	\$ 437,038	\$ 206,324
Multi-choice annuities	50,544	20,206
Equity-index annuities	33,809	70,931
	-----	
Total	521,391	297,461
Reinsurance assumed	-	-
Reinsurance ceded	(48,589)	(54)
	-----	
Total annuities, net of reinsurance	\$ 472,802	\$ 297,407
	=====	

The Company markets its annuity products on a national basis through networks of independent agents who are supervised by regional vice presidents and directors or Independent Marketing Organizations (IMOs). The Company's IMOs consist of approximately 76 contracted organizations and four wholly-owned organizations. Annuity collected premiums were \$521.4 million for the first quarter of 2001 compared to \$297.5 million for the same period in 2000. The increase in annuity collected premiums was partially attributable to the introduction of multi-choice annuity products in late-1999 and early-2000. The multi-choice annuity product provides for various earnings strategies under one product, such as a long-term equity index, an annual equity index, an investment grade bond index, and a guaranteed one-year rate. Earnings are credited to this product based on the increases in the applicable indices, less management fees, and funds may be moved between investment alternatives. This product has continued to grow in popularity with consumers and agents since its introduction. In addition to the increase in multi-choice annuities, fixed annuity collected premiums increased \$230.7 million in 2001 as compared to 2000 primarily due to product repricing, growth in agents and increased marketing efforts aimed at these products.

Effective October 1, 2000, the Company entered into a reinsurance agreement to cede 35% of certain fixed annuity production on a modified coinsurance basis. As a result of this new agreement, fixed annuity production ceded was \$48.6 million higher in the first quarter of 2001 as compared to the same period in 2000.

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The following table sets forth information regarding annuities in force for each date presented:

	Annuities in Force	
	As of March 31,	
	2001	2000
	-----	
(\$ in thousands)		
Deferred fixed and immediate annuities		
Number of policies	162,527	166,607
GAAP life reserves	\$ 6,147,066	\$ 5,886,865
Multi-choice annuities		
Number of policies	3,494	389
GAAP life reserves	\$ 154,647	\$ 22,146
Equity-index annuities		
Number of policies	15,834	10,673

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GAAP life reserves	\$ 686,373	\$ 519,931
Total annuities		
Number of policies	181,855	177,669
GAAP life reserves	\$ 6,988,086	\$ 6,428,942

The total number of annuity policies and the GAAP reserves on annuity policies increased between periods consistent with the increased annuity sales.

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RESULTS OF OPERATIONS

A summary of the Company's revenue follows:

	For The Three Months Ended March 31,	
	2001	2000
(\$ in thousands)		
Insurance premiums		
Life insurance - traditional	\$ 61,951	\$ 63,000
Annuities - Immediate annuity & supplementary contract premiums	4,613	5,000
All other	28	
Total insurance premiums	66,592	69,000
Product charges		
Life insurance - universal life	17,134	14,000
Annuities	7,132	8,000
Total product charges	24,266	23,000
Net investment income		
Life insurance	53,031	52,000
Annuities	127,188	113,000
All other	909	6,000
Total net investment income	181,128	173,000
Realized/unrealized gains (losses) on investments		
Life insurance - core	244	
Annuities - core	(32,638)	2,000
All other - non-core	(7,441)	
Total realized/unrealized gains (losses) on investments	(39,835)	2,000
Other income		
Annuities	8,057	4,000
All other	2,275	2,000
Total other income	10,332	6,000

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Total revenues

-----  
 \$ 242,483  
 =====

\$ 275,  
 =====

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Traditional life insurance premiums were \$62.0 million in the first quarter of 2001 compared to \$63.3 million in the first quarter of 2000. The decrease in traditional life insurance premiums in 2001 as compared to 2000 was primarily the result of the shift in sales focus from traditional life products to universal life products discussed previously. In addition, the new reinsurance agreements entered into in 2000 resulted in an increase in ceded premium in 2001 of approximately \$2.5 million as compared to a year ago. Partially offsetting the decline in first year premium and the increase in ceded premium was increased renewal premium. Open block renewal premium increased approximately \$4.5 million in the first quarter of 2001 as compared to the same period a year ago primarily due to the maturing of this block while Closed Block renewal premium declined approximately \$1.6 million due to an increase in lapses. Total life insurance lapse rates were 8.0% for the first quarter of 2001 as compared to 7.2% a year ago first quarter. This increase in lapses in the Closed Block was expected following the completion of the demutualization.

Immediate annuity and supplementary contract premiums decreased by \$1.3 million to \$4.6 million for the first quarter of 2001 compared to \$5.9 million for the same period in 2000. A decrease in immediate annuity premiums was anticipated as a result of pricing adjustments made on these products.

Universal life product charges were \$17.1 million for the first quarter of 2001 compared to \$14.8 million for the first quarter of 2000. The increase in product charges resulted from the increased sales of universal life products combined with increased cost of insurance charges as a result of the normal aging and growth of the block of business.

Annuity product charges were \$7.1 million for the first quarter of 2001 compared to \$8.5 million for the same period in 2000. The decrease in product charges was primarily due to decreased surrenders of annuity policies with surrender charges. Annuity withdrawal rates averaged 16.1% in the first quarter of 2001 compared to 14.9% in the first quarter of 2000. The increase in withdrawal rates in 2001 was due to internal replacements as some of the surrendered policies were converted to other Company products. Excluding internal replacements, withdrawal rates decreased 0.6% to 13.1% for the first quarter of 2001 compared to 13.7% for the same period a year ago.

Total net investment income was \$181.1 million for the first quarter of 2001 compared to \$173.6 million for the same period in 2000. The increase in 2001 net investment income was primarily attributable to higher average invested assets (excluding market value adjustments) and a higher effective yield as compared to 2000. Average invested assets (excluding market value adjustments) increased approximately \$169.7 million for the first quarter of 2001 compared to the first quarter of 2000. The increase was primarily due to the growth of the Company's life insurance and annuity businesses since last year. Partially offsetting this growth in assets from the product lines was a reduction in holding company cash equivalents. The cash equivalents were generated primarily from the sale of the Company's discontinued operations in mid-1998 and were carried as invested assets of the Company until October 2000, when the Company distributed the funds to its former Members in connection with its

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reorganization discussed previously. Investment income on the cash equivalents was approximately \$3.1 million for the first quarter of 2000. The effective yield of the entire portfolio in the first quarter of 2001 was 7.32% compared to 7.14% in the first quarter of 2000. The increase in yield primarily resulted from the market value adjustment the Company made to its assets in connection with its reorganization. The effective yield of the deferred annuity portfolio increased 42 basis points to 7.19% for the first quarter of 2001 as compared to 6.77% for the same period in 2000. The deferred annuity portfolio yield was also positively impacted by the market value adjustment. In addition, the yield also increased due to the higher reinvestment rates resulting from the Company's move out of convertible securities into traditional fixed income securities during 2000.

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Total realized and unrealized gains and losses on investments were a net loss of \$39.8 million for the first quarter of 2001 compared to a net gain of \$2.9 million for the same period a year ago. The significant change between periods is primarily driven by the Company's adoption of SFAS Nos. 133 and 138, "Accounting for Certain Derivative Instruments and Hedging Activities." In accordance with these Statements, the Company has adjusted its options to market value, which, due to the economic environment, resulted in an unrealized loss of \$33.3 million for the first quarter of 2001. In prior years, the Company carried its options at amortized cost plus intrinsic value, which, based on the economic conditions a year ago, resulted in an unrealized gain of \$0.8 million for the first quarter of 2000. The Company uses its options to hedge its equity-indexed annuity products. The majority of the unrealized gains and losses on the options are offset by similar adjustments to the option portion of the equity-indexed annuity reserves. The reserve adjustments are reflected in the policyowner benefits line of the Consolidated Statements of Income and are discussed in the next section of Management's Discussion and Analysis of Results of Operations and Financial Condition. The remainder of the first quarter 2001 realized and unrealized gains and losses on investments consisted of \$0.7 million of unrealized gains on investments held for trading and \$7.2 million of realized losses on investments. In comparison, there were \$2.1 million of realized gains on investments in the first quarter a year ago. The level of realized gains and losses will fluctuate from period to period depending on the prevailing interest rate and economic environment and the timing of the sale of investments.

Other income primarily consists of real estate operating income, property management fees, structured finance fees from affordable housing programs, Corporate Owned Life Insurance (COLI) income, and third party annuity commissions received by wholly-owned IMOs. Other income increased approximately \$3.8 million in the first quarter of 2001 to \$10.3 million as compared to \$6.5 million in the first quarter of 2000. Approximately \$2.0 million of the 2001 increase in annuity other income was due to the acquisition of another IMO in January, 2001 and the remainder reflects the income on a \$100 million COLI investment the Company made in the fourth quarter of 2000. COLI is classified as an other asset and accordingly the income from this asset appears in other income instead of net investment income.

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A summary of the Company's policyowner benefits follows:

For The Three Months Ended  
March 31,  
2001                      2000

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(\$ in thousands)

Life Insurance		
Traditional		
Death benefits	\$ 9,948	\$ 13,236
Change in liability for future policy benefits and other policy benefits	45,545	42,322
Total traditional	55,493	55,558
Universal		
Death benefits in excess of cash value	8,216	9,340
Interest credited on policyowner account balances	10,491	10,105
Other	332	954
Total universal	19,039	20,399
Total life insurance benefits	74,532	75,957
Annuities		
Interest credited to deferred annuity account balances	73,584	68,988
Change in option value of equity-indexed annuity reserves	(34,969)	--
Other annuity benefits	16,773	18,587
Total annuity benefits	55,388	87,575
All other benefits	(11)	172
Total policyowner benefits	\$ 129,909	\$ 163,704

Total life insurance benefits were \$74.5 million in the first quarter of 2001 compared to \$76.0 million in the first quarter of 2000. An increase in life insurance benefits is expected as the traditional and universal blocks of business continue to grow. However, the Company's life insurance benefit expense actually decreased in the first quarter of 2001 as compared to the same period in 2000 due to favorable mortality, as measured per amount in force, and higher reinsurance credits. Interest credited on universal policyowner account balances increased \$0.4 million in the first quarter of 2001 as compared to

the same period a year ago. The increase in 2001 was primarily due to higher average policyowner account balances combined with a slight increase in crediting rates. The weighted average interest crediting rate on policyowner account balances was 5.63% for the first quarter of 2001 compared to 5.62% for the first quarter of 2000.

Annuity benefits were \$55.4 million in the first quarter of 2001 compared to \$87.6 million in the same period a year ago. As discussed previously, the Company's adoption of SFAS Nos. 133 and 138 also impacted this line item and caused the significant difference in amounts between periods. In accordance with SFAS Nos. 133 and 138, the Company has adjusted the option portion of its equity-indexed annuity reserves to market which, based on the economic environment, resulted in a \$35.0 million decrease in reserve balances. Interest



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credited to deferred annuity account balances increased \$4.6 million in the first quarter of 2001 compared to the same quarter a year ago. Between 2001 and 2000 first quarter periods, average deferred fixed annuity account balances increased approximately \$115.0 million and the weighted average crediting rate on deferred fixed annuity account balances increased 20 basis points to 5.07%. The increase in crediting rates reflects the change in product mix and the increase in the investment yields of the deferred fixed annuity portfolio. Overall, spreads on deferred fixed annuities widened 22 basis points in the first quarter of 2001 as compared to the same period a year ago. Other annuity benefits declined approximately \$1.8 million between first quarter periods which corresponds with the decline in immediate annuity and supplementary contract premiums.

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A summary of the Company's expenses follows:

	For the Three Months Ended March 31,	
	2001	2000
	-----	
(\$ in thousands)		
Life Insurance		
Underwriting, acquisition and other expenses	\$ 14,140	\$ 10,612
Amortization of deferred policy acquisition costs and value of business acquired (VOBA), net of non-core adjustment of \$174 and \$21 for the three months ended March 31, 2001 and 2000, respectively	9,609	9,537
	-----	
Total life insurance	23,749	20,149
Annuities		
Underwriting, acquisition and other expenses	14,517	11,390
Amortization of deferred policy acquisition costs and value of business acquired (VOBA), net of non-core adjustment of \$(2,491) and \$599 for the three months ended March 31, 2001 and 2000, respectively	17,979	15,890
	-----	
Total annuities	32,496	27,280
Amortization of deferred policy acquisition costs due to non-core realized gains or losses	(2,317)	620
All other expenses	2,677	4,995
Reorganization costs	--	1,210
	-----	
Total expenses	\$ 56,605	\$ 54,254
	=====	

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Total life insurance expenses were \$23.7 million in the first quarter of 2001 compared to \$20.1 million in the same period in 2000. Underwriting, acquisition and insurance expenses were approximately \$3.5 million higher in the first quarter of 2001 as compared to the same period a year ago. First quarter 2000 expenses were reduced by certain non-recurring items primarily related to the frozen pension plan and joint venture distribution allowances. Excluding these non-recurring items, underwriting, acquisition and insurance expenses increased approximately \$1.6 million from the first quarter a year ago primarily due to general compensation increases, depreciation on the new life insurance

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administrative system and distribution system enhancements. Amortization of deferred policy acquisition costs and value of business acquired (VOBA) increased \$0.1 million in the first quarter of 2001 compared to the first quarter of 2000. Deferred policy acquisition costs are generally amortized in proportion to gross margins. The increase in amortization in 2001 as compared to 2000 reflects an increase in amortization of approximately \$0.5 million associated with the Company's market value adjustment completed at the end of the third quarter 2000. Additional VOBA was established as a result of the market value adjustment. Partially offsetting this increase in amortization from the additional VOBA asset was decreased amortization related to modifications made to future maintenance expense assumptions resulting in increased estimated future gross margins, and therefore lower current year amortization.

Total annuity expenses increased by \$5.2 million to \$32.5 million in the first quarter of 2001 compared to \$27.3 million in the first quarter of 2000. Underwriting, acquisition and insurance expenses increased approximately \$3.1 million in the first quarter of 2001 compared to the same period a year ago. Approximately \$1.7 million of the increase related to the new IMO acquired in January of 2001. The increase in expense due to the new IMO was offset by the increase in other income from the IMO discussed previously. The remainder of the increase was primarily due to additional agent-related expenses, such as recruiting and annual conventions, and increased incentive compensation. Amortization of deferred policy acquisition costs and VOBA increased \$2.1 million in the first quarter of 2001 as compared to the same period in 2000. The increase in amortization was partially attributable to the general growth in the deferred policy acquisition cost asset associated with the continued growth in annuity sales. In addition, VOBA amortization was higher in the first quarter of 2001 due to the additional VOBA established in connection with the Company's third quarter market value adjustment.

Other expenses decreased by \$2.3 million in the first quarter of 2001 to \$2.7 million compared to \$5.0 million in the same period in 2000. Other expenses primarily consist of expenses related to the real estate management company and the holding company, and tend to fluctuate from period to period depending on the properties under management each quarter. Beginning in 1999, the Company began decreasing the number of properties under management and, accordingly, other expenses are also declining.

The first quarter 2000 reorganization costs consist primarily of legal, actuarial and consulting expenses associated with the reorganization of the Company discussed previously. As these costs are not of a continuing nature, they have been excluded from the Operating Segment amounts.

A summary of the Company's income from operations by operating segment follows:

	For The Three Months Ended March 31,	
	2001	2000
(\$ in thousands)		
Life Insurance:		
Revenues	\$ 132,360	\$ 131,066
Benefits and expenses	(98,281)	(96,106)
Dividends to policyowners	(19,158)	(16,169)
Adjusted pre-tax operating income	14,921	18,791
Annuities:		
Revenues	114,352	134,518
Benefits and expenses	(87,884)	(114,855)
Adjusted pre-tax operating income	26,468	19,663
All other adjusted pre-tax operating (loss)	546	4,130
Total adjusted pre-tax operating income	\$ 41,935	\$ 42,584

Adjusted pre-tax operating income from Life Insurance operations was \$14.9 million in the first quarter of 2001 compared to \$18.8 million in the first quarter of 2000. The decrease in adjusted pre-tax operating income in the first quarter of 2001 compared to the first quarter of 2000 was primarily due to the increased expenses discussed previously. Partially offsetting these increased expenses was a favorable impact of approximately \$0.2 million from the market value adjustments the Company completed in September 2000 in connection with its reorganization. As noted in the table above, dividends to policyowners increased \$3.0 million in the first quarter 2001 as compared to the same period a year ago. The increase was primarily due to the change in the Closed Block policyowner dividend obligation and does not have an impact on bottom line adjusted pre-tax operating income as increased Closed Block net margins offset the increase in this dividend line item.

Adjusted pre-tax operating income from Annuity operations was \$26.5 million in the first quarter of 2001 compared to \$19.7 million in the same period in 2000. The increase in 2001 was primarily due to increased spreads on a growing block of business and a favorable impact of approximately \$2.8 million from the Company's third quarter 2000 market value adjustment.

All other adjusted pre-tax operating income was \$0.5 million in the first quarter of 2001 compared to \$4.1 million in the first quarter of 2000. The

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decrease in 2001 compared to 2000 was primarily due to decreased investment income as the Company distributed approximately \$340 million of cash equivalents in October 2000 in connection with its reorganization.

Interest expense increased \$0.2 million in the first quarter of 2001 to \$7.3 million compared to \$7.1 million in the first quarter of 2000. The increased interest expense in 2001 was primarily due to higher average outstanding borrowings during the first quarter of 2001 as compared to the first quarter of

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2000. The additional borrowings were primarily used to partially fund the Company's demutualization distribution to its former Members.

Income tax expense was \$10.0 million in the first quarter of 2001 compared to \$12.6 million in the same period in 2000. The effective tax rate was 34.0% and 36.8% for the first quarter of 2001 and 2000, respectively. The decrease in the effective tax rate in 2001 reflected the decline in nondeductible expenses associated with the Company's reorganization and increased tax exempt income from the COLI investment.

Minority interest represents the minority stockholders ownership percentage share of net income of ALHI prior to the Company's acquisition of this Minority Interest. The minority shareholder ownership percentage was 42% for the three months ended March 31, 2000. As a result of the Company's acquisition of the Minority Interest there is no net income applicable to the Minority Interest in the first quarter of 2001.

Net income from continuing operations increased \$4.5 million to \$19.5 million in the first quarter of 2001 compared to \$15.0 million in the first quarter of 2000. While the operating income from the Company's Segments was somewhat level between first quarter periods with an increase in the Annuity Segment operating income being offset by a decline in the Life and All Other Segments operating income, net income increased due to the lower effective tax rate and the reduction in net income applicable to the Minority Interest.

The Company adopted SFAS Nos. 133 and 138 January 1, 2001. In accordance with the provisions of these Statements, the Company has recorded the differences between the previous carrying amounts of its derivative instruments and the fair value of its derivative instruments, as of this initial application date, as the effect of a change in accounting principle. The gross difference between carrying amounts and fair value amounts of the Company's derivative instruments was a reduction of approximately \$11.3 million. The deferred policy acquisition cost and VOBA amortization impact from the derivative adjustments was approximately \$1.1 million and the income tax benefit was \$4.2 million, resulting in the net cumulative effect of change in accounting for derivatives of \$8.2 million.

Net income was \$11.6 million in the first quarter of 2001 compared to \$14.8 million in the first quarter of 2000. As discussed above, the Company adopted SFAS Nos. 133 and 138 in the first quarter of 2001 which had a one-time cumulative effect of reducing net income by \$8.2 million. Excluding this one-time cumulative effect, net income increased \$5.0 million due to the items discussed in the net income from continuing operations paragraph above.

LIQUIDITY AND CAPITAL RESOURCES

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### THE COMPANY

The Company's cash flows from operations consist of dividends from subsidiaries, if declared and paid, interest from income on loans and advances to its subsidiaries (including a surplus note issued to the Company by AmerUs), investment income on assets held by the Company and fees which the Company charges its subsidiaries and certain other of its affiliates for services, offset by the expenses incurred for debt service, salaries and other expenses.

The Company intends to rely primarily on dividends and interest income from its life insurance subsidiaries in order to make dividend payments to its shareholders. The payment of dividends by its life insurance subsidiaries is regulated under various state laws. Generally, under the various state statutes, the Company's life insurance subsidiaries dividends may be paid only from the earned surplus arising from their respective businesses and must receive the prior approval of the respective state regulator to

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pay any dividend that would exceed certain statutory limitations. The current statutes generally limit any dividend, together with dividends paid out within the preceding 12 months, to the greater of (i) 10% of the respective company's policyowners' surplus as of the preceding year end or (ii) the net gain from operations for the previous calendar year. Generally, the various state laws give the state regulators broad discretion to approve or disapprove requests for dividends in excess of these limits. Based on these limitations and 2000 results, the Company's subsidiaries could pay an estimated \$92.7 million in dividends in 2001 without obtaining regulatory approval. Of this amount, the Company's subsidiaries paid the Company \$10.0 million in the first quarter of 2001. The 2000 statutory results exceeded prior years' statutory results primarily due to reinsurance transactions entered into in 2000. As reinsurance activity varies from year to year, 2001 statutory results may decline as compared to 2000 and dividend capacity would change accordingly.

The Company has a \$150 million revolving credit facility with a syndicate of lenders (the "Bank Credit Facility"). As of March 31, 2001, there was a \$59 million outstanding loan balance under the Bank Credit Facility. The Bank Credit Facility provides for typical events of default and covenants with respect to the conduct of business of the Company and its subsidiaries and requires the maintenance of various financial levels and ratios. Among other covenants, the Company (a) cannot have a leverage ratio greater than 0.35:1.0, (b) cannot have an interest coverage ratio less than 2.25:1.0 through June 30, 2001, 2.50:1.0 thereafter, (c) is prohibited from paying cash dividends on its common stock in excess of an amount equal to 3% of its consolidated net worth as of the last day of the preceding fiscal year, and (d) must cause certain of its subsidiaries, including AmerUs and Delta, to maintain certain ratings from A.M. Best and certain levels of risk-based capital.

As previously reported, the Company has entered into a definitive agreement for the combination of the Company with ILICO. ILICO will demutualize and its members will receive cash, policy credits and the Company's common stock equivalent to the value of 9.3 million shares of the common stock of AmerUs Group. The transaction is expected to be completed in the second quarter of 2001. Under the terms of the agreement, the Company is committed at a minimum to distribute in cash the equivalent value of approximately 264,000 shares of its common stock. The actual amount of the cash consideration will vary dependent upon the price of the Company's common stock at or about the closing date and

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the number of shares within the range that the Company elects to distribute in the form of cash. The funding for the cash consideration is expected to primarily come from the Company's Bank Credit Facility.

The Company has previously announced a stock repurchase plan for up to \$50.0 million. As of March 31, 2001, the Company has \$48.2 million of remaining capacity under the plan. The Company would expect some greater repurchase activity if the market conditions are favorable. The funds for the repurchase program would come from a combination of internal sources from its life insurance subsidiaries and utilization of its Bank Credit Facility.

In July 2001, the forward common stock purchase contract component of the Company's adjustable conversion-rate equity security units matures. Under the terms of the contract, the Company will issue up to 4,080,500 shares of its common stock at a price of \$31.5625 per share for total consideration of \$128.8 million. The actual number of shares to be issued is dependent upon the average price of the Company's common stock for the twenty consecutive trading days ending on the last trading day immediately preceding July 27, 2001. In lieu of paying cash to satisfy their purchase obligation, the unit holders may surrender the preferred security component of the adjustable conversion-rate equity security unit. The form of consideration will not be known until July when the holders make their election. If the Company receives cash proceeds, it is likely that the funds will be applied towards the Company's Bank Credit Facility. If the preferred securities are tendered, the Company intends to retire them. In either case, debt and capital securities outstanding will be reduced by \$128.8 million.

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### LIFE INSURANCE SUBSIDIARIES

The cash flows of the Company's life insurance subsidiaries consist primarily of premium income, deposits to policyowner account balances, income from investments, sales, maturities and calls of investments and repayments of investment principal. Cash outflows are primarily related to withdrawals of policyowner account balances, investment purchases, payment of policy acquisition costs, payment of policyowner benefits, payment of debt, income taxes and current operating expenses. Life insurance companies generally produce a positive cash flow from operations, as measured by the amount by which cash flows are adequate to meet benefit obligations to policyowners and normal operating expenses as they are incurred. The remaining cash flow is generally used to increase the asset base to provide funds to meet the need for future policy benefit payments and for writing new business.

Management anticipates that funds to meet its short-term and long-term capital expenditures, cash dividends to shareholders and operating cash needs will come from existing capital and internally generated funds. Management believes that the current level of cash and available-for-sale and short-term securities, combined with expected net cash inflows from operations, maturities of fixed maturity investments, principal payments on mortgage-backed securities and its insurance products, will be adequate to meet the anticipated short-term cash obligations of the Company's life insurance subsidiaries.

Matching the investment portfolio maturities to the cash flow demands of the type of insurance being provided is an important consideration for each type of life insurance product and annuity. The Company continuously monitors benefits and surrenders to provide projections of future cash requirements. As part of this monitoring process, the Company performs cash flow testing of its assets and liabilities under various scenarios to evaluate the adequacy of

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reserves. In developing its investment strategy, the Company establishes a level of cash and securities which, combined with expected net cash inflows from operations, maturities of fixed maturity investments and principal payments on mortgage-backed securities, are believed adequate to meet anticipated short-term and long-term benefit and expense payment obligations. There can be no assurance that future experience regarding benefits and surrenders will be similar to historic experience since withdrawal and surrender levels are influenced by such factors as the interest rate environment and the claims-paying and financial strength ratings of the Company's life insurance subsidiaries.

The Company takes into account asset/liability management considerations in the product development and design process. Contract terms for the Company's interest-sensitive products include surrender and withdrawal provisions which mitigate the risk of losses due to early withdrawals. These provisions generally do one or more of the following: limit the amount of penalty-free withdrawals, limit the circumstances under which withdrawals are permitted, or assess a surrender charge or market value adjustment relating to the underlying assets. The following table summarizes liabilities for interest-sensitive life products and annuities by their contractual withdrawal provisions at March 31, 2001 (including liabilities in both the Closed Block and the general account):

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	(\$ in millions)
	-----
Not subject to discretionary withdrawal	\$ 373.8
Subject to discretionary withdrawal with adjustments:	
Specified surrender charges (A)	4,985.3
Market value adjustments	1,474.8
	-----
Subtotal	6,460.1
	-----
Subject to discretionary withdrawal without adjustments	1,425.6
	-----
Total	\$8,259.5
	=====

(A) Includes \$541.8 million of statutory liabilities with a contractual surrender charge of less than five percent of the account balance.

AmerUs is a party to a \$250 million separate account funding agreement. Under this agreement, a five-year floating rate insurance contract is issued to a commercial paper conduit. The funding agreement is secured by assets in a separate account and is further backed by the general account assets of AmerUs. The separate account assets are legally segregated and are not subject to claims that arise out of any other business of AmerUs. The separate account assets and liabilities are included with general account assets in the financial statements. The funding agreement may not be cancelled by the commercial paper conduit unless there is a default under the agreement, but AmerUs may terminate at any time.

AmerUs and its joint venture partner are contingently liable in the event the joint venture, AVLIC, cannot meet its obligations. At March 31, 2001, AVLIC had statutory assets of \$2,212.5 million, liabilities of \$2,151.2 million and surplus of \$61.3 million.

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Through their respective memberships in the Federal Home Loan Banks (FHLB) of Des Moines and Topeka, AmerUs and American are eligible to borrow under variable-rate short term fed funds arrangements to provide additional liquidity. These borrowings are secured and interest is payable at the current rate at the time of any advance. There were no borrowings under these arrangements outstanding at March 31, 2001. In addition, AmerUs has long-term advances from the FHLB outstanding of \$15.5 million at March 31, 2001.

The Company's life insurance subsidiaries may also obtain liquidity through sales of investments. The Company's investment portfolio as of March 31, 2001 had a carrying value of \$10 billion, including Closed Block investments.

At March 31, 2001, the statutory surplus of the Company's subsidiaries was approximately \$478.9 million. The Company believes that this level of statutory capital is more than adequate as each insurance subsidiary's risk based capital is significantly in excess of required levels.

In the future, in addition to their cash flows from operations and borrowing capacity, the life insurance subsidiaries would anticipate obtaining their required capital from the Company as the Company has access to the public debt and equity markets.

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### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The main objectives in managing the investment portfolios of the Company and its insurance subsidiaries are to maximize investment income and total investment returns while minimizing credit risks in order to provide maximum support to the insurance underwriting operations. Investment strategies are developed based on many factors including asset liability management, regulatory requirements, fluctuations in interest rates and consideration of other market risks. Investment decisions are centrally managed by investment professionals based on guidelines established by management and approved by the boards of directors.

Market risk represents the potential for loss due to adverse changes in the fair value of financial instruments. The market risks related to financial instruments of the Company and its subsidiaries primarily relate to the investment portfolio, which exposes the Company to risks related to interest rates and, to a lesser extent, credit quality and prepayment variation. Analytical tools and monitoring systems are in place to assess each of these elements of market risk.

Interest rate risk is the price sensitivity of a fixed income security to changes in interest rates. Management views these potential changes in price within the overall context of asset and liability management. Company actuaries estimate the payout pattern of the Company's liabilities, primarily the Company's lapsation, to determine duration, which is the present value of the fixed income investment portfolios after consideration of the duration of these liabilities and other factors, which management believes mitigates the overall effect of interest rate risk for the Company.

The table below provides information about the Company's fixed maturity investments and mortgage loans at March 31, 2001. The table presents cash flows of principal amounts and related weighted average interest rates by expected maturity dates. The cash flows are based on the earlier of the call date or the maturity date or, for mortgage-backed securities, expected payment patterns. Actual cash flows could differ from the expected amounts.



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Amortized -----	EXPECTED CASH FLOWS					
	9 mos 2001 -----	2002 -----	2003 -----	2004 -----	2005 -----	2006 -----
	(\$ in millions)					
Fixed maturity securities	\$ 333	\$ 535	\$ 1,036	\$ 919	\$ 1,119	\$ 706
Average interest rate	7.7%	7.4%	6.9%	7.0%	7.1%	7.2%
Mortgage loans	\$ 31	\$ 35	\$ 38	\$ 45	\$ 41	\$ 40
Average interest rate	8.2%	8.4%	8.3%	8.3%	8.3%	8.2%
Total	\$ 364	\$ 570	\$ 1,074	\$ 964	\$ 1,160	\$ 746

The Company and its subsidiaries have consistently invested in high quality marketable securities. As a result, management believes that the Company has minimal credit quality risk. Fixed maturity securities are comprised of U.S. Treasury, government agency, mortgage-backed and corporate securities. Approximately 68% of fixed maturity securities are issued by the U.S. Treasury or U.S. government agencies or are rated A or better by Moody's, Standard and Poor's, or the NAIC. Less than 7% of the bond portfolio is below investment grade. Fixed maturity securities have a weighted average maturity of approximately 6.76 years.

Prepayment risk refers to the changes in prepayment patterns that can either shorten or lengthen the expected timing of the principal repayments and thus the average life and the effective yield of a security. Such risk exists primarily within the Company's portfolio of mortgage-backed securities.

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Management monitors such risk regularly. The Company invests primarily in those classes of mortgage-backed securities that are less subject to prepayment risk.

The Company's use of derivatives is generally limited to hedging purposes and has principally consisted of using interest rate swaps, caps, swaptions and options. These instruments, viewed separately, subject the Company to varying degrees of market and credit risk. However when used for hedging, the expectation is that these instruments would reduce overall market risk. Credit risk arises from the possibility that counterparties may fail to perform under the terms of the contracts.

Equity price risk is the potential loss arising from changes in the value of equity securities. In general, equities have more year-to-year price variability than intermediate term grade bonds. However, returns over longer time frames have been consistently higher. The Company's equity securities consist primarily of its investments in ILICO and AMAL. The remainder of the Company's equity securities are high quality and readily marketable.

All of the above risks are monitored on an ongoing basis. A combination of in-house systems and proprietary models and externally licensed software are

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used to analyze individual securities as well as each portfolio. These tools provide the portfolio managers with information to assist them in the evaluation of the market risks of the portfolio.

### PART II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, the Company and its subsidiaries are parties to certain litigation, none of which management believes is material to the Company's results of operations.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At a special meeting held on March 27, 2001, a majority of the Company's shareholders approved the issuance of up to 10.3 million shares of Company common stock to eligible members of ILICO in connection with the Company's combination with ILICO. The shareholders' approval of such issuance was required by the rules of the New York Stock Exchange. The result of the vote is as follows:

For:	18,816,390
Against:	403,773
Abstentions:	237,646
Broker Non-Votes:	0

At the annual meeting of the Company's shareholders on May 10, 2001, a majority of the Company's shareholders approved (1) the reelection of Roger K. Brooks and F.A. Wittern, Jr. as directors of the Company and (2) the ratification of the appointment by the Board of Directors of the Company of Ernst & Young LLP as the Company's independent auditors. The result of the vote is as follows:

#### Election of Roger K. Brooks

For:	19,595,518
Withheld:	286,987

#### Election of F.A. Wittern, Jr.

For:	19,629,371
Withheld:	253,134

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#### Ratification of Ernst & Young LLP

For:	19,478,667
Against:	201,848
Abstaining:	201,990

The terms of the following other directors of the Company continued after the meeting: John R. Albers, Joseph A. Borgen; Malcolm Candlish; Thomas F. Gaffney; Ralph W. Laster, Jr.; John W. Norris, Jr.; Jack C. Pester; and John A. Wing.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits

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A list of exhibits included as part of this report is set forth in the Exhibit Index which immediately precedes such exhibits and is hereby incorporated by reference herein.

- (b) The following report on Form 8-K was filed during the quarter ended March 31, 2001:

Form 8-K dated March 29, 2001 announcing the Company's proposal to issue up to 10.3 million shares of common stock in conjunction with the acquisition of Indianapolis Life Insurance Company was approved at a special meeting of shareholders. The Consolidated Financial Statements of Indianapolis Life Insurance Company were attached.

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### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DATED: May 15, 2001

AMERUS GROUP CO.

By /s/ Michael G. Fraizer

-----  
Executive Vice President and  
Chief Financial Officer

By /s/ Brenda J. Cushing

-----  
Vice President and Controller  
(Principal Accounting Officer)

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### AMERUS GROUP CO. AND SUBSIDIARIES

#### INDEX TO EXHIBITS

Exhibit No. -----	Description -----
2.1	Plan of Reorganization dated October 27, 1995, filed as Exhibit 2.1 to the registration statement of AmerUs Life Holdings, Inc. on Form S-1, Registration Number 333-12239, is hereby incorporated by reference.
2.2	Amended and Restated Agreement and Plan of Merger, dated as of

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- September 19, 1997 and as amended and restated as of October 8, 1997, by and among AmerUs Life Holdings, Inc., AFC Corp. and AmVestors Financial Corporation ("AmVestors"), filed as Exhibit 2.2 to the Registration Statement of AmerUs Life Holdings, Inc. on Form S-4, Registration Number 333-40065 is hereby incorporated by reference.
- 2.3 Agreement and Plan of Merger, dated as of August 13, 1997 and as amended as of September 5, 1997, among AmerUs Life Holdings, Inc., a wholly owned subsidiary of AmerUs Life Holdings, Inc. and Delta Life Corporation, filed as Exhibit 2.2 to Form 8-K of AmerUs Life Holdings, Inc. dated October 8, 1997, is hereby incorporated by reference.
- 2.4 Combination and Investment Agreement, dated February 18, 2000, among American Mutual Holding Company, AmerUs Life Holdings, Inc., Indianapolis Life Insurance Company and The Indianapolis Life Group of Companies, Inc., filed as Exhibit 2.1 to AmerUs Life Holdings, Inc.'s report on Form 8-K/A on March 6, 2000, is hereby incorporated by reference.
- 2.5 Purchase Agreement, dated as of February 18, 2000, by and between American Mutual Holding Company and AmerUs Life Holdings, Inc., filed as Exhibit 2.5 on Form 10-K, dated March 8, 2000, is hereby incorporated by reference.
- 2.6 Agreement and Plan of Merger, dated December 17, 1999, by and between American Mutual Holding Company and AmerUs Life Holdings, Inc., filed as Exhibit 2.6 on Form 10-K, dated March 8, 2000, is hereby incorporated by reference.
- 2.7 Amendment No. 1 to Agreement and Plan of Merger, dated February 18, 2000, by and between American Mutual Holding Company and AmerUs Life Holdings, Inc., filed as Exhibit 2.7 on Form 10-K, dated March 8, 2000, is hereby incorporated by reference.
- 2.8 Letter agreement, dated December 17, 1999, by and between American Mutual Holding Company and AmerUs Life Holdings, Inc., filed as Exhibit 2.8 on Form 10-K, dated March 8, 2000, is hereby incorporated by reference.
- 2.9 Notification Agreement, dated as of February 18, 2000, by and among American Mutual Holding Company, AmerUs Life Holdings, Inc. and Bankers Trust Company, filed as Exhibit 2.9 on Form 10-K, dated March 8, 2000, is hereby incorporated by reference.
- 2.10 Amendment No. 2 to Agreement and Plan of Merger, dated April 3, 2000, by and between American Mutual Holding Company and AmerUs Life Holdings, Inc., filed as Exhibit 2.10 on Form 10-Q, dated May 15, 2000, is hereby incorporated by reference.
- 2.11 Amendment No. 1 to the Purchase Agreement, dated April 3, 2000, by and between American Mutual Holding Company and AmerUs Life Holdings, Inc., filed as Exhibit 2.11 on Form 10-Q, dated May 15, 2000, is hereby incorporated by reference.
- 2.12 Amendment to Combination and Investment Agreement dated February 18, 2000 among American Mutual Holding Company, AmerUs Life Holdings, Inc., Indianapolis Life Insurance Company and The Indianapolis Life Group of Companies, Inc., dated September 18, 2000, filed as Exhibit 2.2 to Form 8-K12G3 of the Registrant dated September 21, 2000.
- 3.1 Amended and Restated Articles of Incorporation of the Registrant filed as Exhibit 3.1 on Form 10-Q, dated November 14, 2000 is hereby incorporated by reference.
- 3.2 Amended and Restated Bylaws of the Registrant, filed as Exhibit 3.2 on Form 10-Q, dated November 14, 2000 is hereby incorporated by reference.

- 4.1 Amended and Restated Trust Agreement dated as of February 3, 1997 among AmerUs Life Holdings, Inc., Wilmington Trust Company, as

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- property trustee, and the administrative trustees named therein (AmerUs Capital I business trust), filed as Exhibit 3.6 to the registration statement of AmerUs Life Holdings, Inc. and AmerUs Capital I on Form S-1, Registration Number 333-13713, is hereby incorporated by reference.
- 4.2 Indenture dated as of February 3, 1997 between AmerUs Life Holdings, Inc. and Wilmington Trust Company relating to the Company's 8.85% Junior Subordinated Debentures, Series A, filed as Exhibit 4.1 to the registration statement of AmerUs Life Holdings, Inc. and AmerUs Capital I on Form S-1, Registration Number, 333-13713, is hereby incorporated by reference.
- 4.3 Guaranty Agreement dated as of February 3, 1997 between AmerUs Life Holdings, Inc., as guarantor, and Wilmington Trust Company, as trustee, relating to the 8.85% Capital Securities, Series A, issued by AmerUs Capital I, filed as Exhibit 4.4 to the registration statement on Form S-1, Registration Number, 333-13713, is hereby incorporated by reference.
- 4.4 Common Stock Purchase Warrant, filed as Exhibit (10) (v) to Form 10-Q of AmVestors Financial Corporation dated May 13, 1992, is hereby incorporated by reference.
- 4.5 Amended and Restated Declaration of Trust of AmerUs Capital II, dated as of July 27, 1998, among AmerUs Life Holdings, Inc., First Union Trust Company and the administrative trustees named therein, relating to AmerUs Life Holdings, Inc.'s 7.0% ACES Units, filed as Exhibit 4.5 on Form 10-Q, dated August 13, 1998, is hereby incorporated by reference.
- 4.6 Certificate of Trust of AmerUs Capital III filed as Exhibit 4.7 to the registration statement of AmerUs Life Holdings, Inc., AmerUs Capital II and AmerUs Capital III, on Form S-3 (No. 333-50249), is hereby incorporated by reference.
- 4.7 Common Trust Securities Guarantee Agreement, dated as of July 27, 1998, by AmerUs Life Holdings, Inc., relating to AmerUs Life Holdings, Inc.'s 7.0% ACES Units, filed as Exhibit 4.7 on Form 10-Q, dated August 13, 1998, is hereby incorporated by reference.
- 4.8 QUIPS Guarantee Agreement, dated as of July 27, 1998, by AmerUs Life Holdings, Inc., relating to AmerUs Life Holdings, Inc.'s 7.0% ACES Units, filed as Exhibit 4.8 on Form 10-Q, dated August 13, 1998, is hereby incorporated by reference.
- 4.9 Master Unit Agreement, dated as of July 27, 1998, between AmerUs Life Holdings, Inc. and First Union National Bank relating to AmerUs Life Holdings, Inc.'s 7.0% ACES Units, filed as Exhibit 4.9 on Form 10-Q, dated August 13, 1998, is hereby incorporated by reference.
- 4.10 Call Option Agreement, dated as of July 27, 1998, between Goldman, Sachs & Co. and First Union National Bank relating to AmerUs Life Holdings, Inc.'s 7.0% ACES Units, filed as Exhibit 4.10 on Form 10-Q, dated August 13, 1998, is hereby incorporated by reference.
- 4.11 Pledge Agreement, dated as of July 27, 1998, among AmerUs Life Holdings, Inc., Goldman, Sachs & Co. and First Union National Bank relating to AmerUs Life Holdings, Inc.'s 7.0% ACES Units, filed as Exhibit 4.11 on Form 10-Q, dated August 13, 1998, is hereby incorporated by reference.
- 4.12 Senior Indenture, dated as of June 16, 1998, by and between AmerUs Life Holdings, Inc. and First Union National Bank, as Indenture Trustee, relating to the AmerUs Life Holdings, Inc.'s 6.95% Senior Notes, filed as Exhibit 4.14 on Form 10-Q, dated August 13, 1998, is hereby incorporated by reference.
- 4.13 Subordinated Indenture, dated as of July 27, 1998, by and between AmerUs Life Holdings, Inc. and First Union National Bank, as Indenture Trustee, relating to AmerUs Life Holdings, Inc.'s 6.86% Junior Subordinated Deferrable Interest Debentures, filed as Exhibit 4.15 on Form 10-Q, dated August 13, 1998, is hereby incorporated by reference.
- 4.14 First Supplement to Indenture dated February 3, 1997 among American

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Mutual Holding Company, AmerUs Life Holdings, Inc. and Wilmington Trust Company as Trustee, relating to the Company's 8.85% Junior Subordinated Debentures, Series A, dated September 20, 2000, filed as Exhibit 4.14 on Form 10-Q dated November 14, 2000, is hereby incorporated by reference.

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- 4.15 Assignment and Assumption Agreement to Amended and Restated Trust Agreement, dated February 3, 1997 between American Mutual Holding Company and AmerUs Life Holdings, Inc., dated September 20, 2000, filed as Exhibit 4.15 on Form 10-Q dated November 14, 2000, is hereby incorporated by reference.
- 4.16 Assignment and Assumption to Guaranty Agreement, dated February 3, 1997 between American Mutual Holding Company and AmerUs Life Holdings, Inc., dated September 20, 2000, filed as Exhibit 4.16 on Form 10-Q, dated November 14, 2000, is hereby incorporated by reference.
- 4.17 First Supplement to Subordinated Indenture, dated July 27, 1998, relating to AmerUs Life Holdings, Inc.'s 6.86% Junior Subordinated Deferrable Interest Debentures, among American Mutual Holding Company, AmerUs Life Holdings, Inc. and First Union National Bank, as Indenture Trustee, dated September 20, 2000, filed as Exhibit 4.17 on Form 10-Q, dated November 14, 2000, is hereby incorporated by reference.
- 4.18 First Supplement to Master Unit Agreement dated July 27, 1998, relating to AmerUs Life Holdings, Inc.'s 7.0% ACES units, between American Mutual Holding Company and First Union National Bank, as Unit Agent, dated September 20, 2000, filed as Exhibit 4.18 on Form 10-Q, dated November 14, 2000, is hereby incorporated by reference.
- 4.19 Assignment and Assumption Agreement to the QUIPS Guarantee Agreement dated July 27, 1998, relating to AmerUs Life Holdings, Inc.'s 7.0% ACES units, between American Mutual Holding Company and AmerUs Life Holdings, Inc., dated September 20, 2000, filed as Exhibit 4.19 on Form 10-Q, dated November 14, 2000, is hereby incorporated by reference.
- 4.20 Assignment and Assumption Agreement to the Common Trust Securities Guarantee Agreement dated July 27, 1998, relating to AmerUs Life Holdings, Inc.'s 7.0% ACES units, between American Mutual Holding Company and AmerUs Life Holdings, Inc., dated September 20, 2000, filed as Exhibit 4.20 on Form 10-Q, dated November 14, 2000, is hereby incorporated by reference.
- 4.21 First Supplement to Purchase Contracts between American Mutual Holding Company and Holders, as specified, dated September 20, 2000, filed as Exhibit 4.21 on Form 10-Q, dated November 14, 2000, is hereby incorporated by reference.
- 4.22 First Supplement to the Pledge Agreement dated July 27, 1998, relating to AmerUs Life Holdings, Inc.'s 7.0% ACES units, among American Mutual Holding Company, Goldman Sachs & Co., as Call Option Holder, the Chase Manhattan Bank, as Collateral Agent and First Union National Bank, as Unit Agent, dated September 20, 2000, filed as Exhibit 4.22 on Form 10-Q, dated November 14, 2000, is hereby incorporated by reference.
- 4.23 First Supplement to Senior Indenture dated June 16, 1998, relating to AmerUs Life Holdings, Inc.'s 6.95% Senior Notes, among American Mutual Holding Company, AmerUs Life Holdings, Inc. and First Union National Bank, as Trustee, dated September 20, 2000, filed as Exhibit 4.23 on Form 10-Q, dated November 14, 2000, is hereby incorporated by reference.
- 10.1 Joint Venture Agreement, dated as of June 30, 1996, between American Mutual Insurance Company and Ameritas Life Insurance Corp., filed as Exhibit 10.2 on Form 10-K, dated March 25, 1998, is hereby

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- incorporated by reference.
- 10.2 Management and Administration Service Agreement, dated as of April 1, 1996, among American Mutual Life Insurance Company, Ameritas Variable Life Insurance Company and Ameritas Life Insurance Corp., filed as Exhibit 10.3 to the registration statement of AmerUs Life Holdings, Inc. on Form S-1, Registration Number 333-12239, is hereby incorporated by reference.
- 10.3 AmerUs Life Holdings, Inc. Executive Stock Purchase Plan, dated November 13, 1998, filed as Exhibit 4.11 to the registration statement of AmerUs Life Holdings, Inc. on Form S-8, Registration Number 333-72237, is hereby incorporated by reference.
- 10.4 All(star)AmerUs Supplemental Executive Retirement Plan, effective January 1, 1996, filed as Exhibit 10.6 to the registration statement of AmerUs Life Holdings, Inc. on Form S-1, Registration Number 333-12239, is hereby incorporated by reference.

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- 10.5 Management Incentive Plan, filed as Exhibit 10.9 to the registration statement of AmerUs Life Holdings, Inc. on Form S-1, Registration Number 333-12239, is hereby incorporated by reference.
- 10.6 AmerUs Life Insurance Company Performance Share Plan, filed as Exhibit 10.10 to the registration statement of AmerUs Life Holdings, Inc. on Form S-1, Registration Number 333-12239, is hereby incorporated by reference.
- 10.7 AmerUs Life Stock Incentive Plan, filed as Exhibit 10.11 to the registration statement of AmerUs Life Holdings, Inc. on Form S-1, Registration Number 333-12239, is hereby incorporated by reference.
- 10.8 AmerUs Life Non-Employee Director Stock Plan, filed as Exhibit 10.13 to the registration statement of AmerUs Life Holdings, Inc. on Form S-1, Registration Number 333-12239, is hereby incorporated by reference.
- 10.9 Form of Indemnification Agreement executed with directors and certain officers, filed as Exhibit 10.33 to the registration statement of AmerUs Life Holdings, Inc. on Form S-1, Registration Number 333-12239, is hereby incorporated by reference.
- 10.10 Tax Allocation Agreement dated as of November 4, 1996, filed as Exhibit 10.68 to the registration statement of AmerUs Life Holdings, Inc. on Form S-1, Registration Number 333-12239, is hereby incorporated by reference.
- 10.11 Credit Agreement, dated as of October 23, 1997, among AmerUs Life Holdings, Inc., Various Lender Institutions, the Co-Arrangers and The Chase Manhattan Bank, as Administrative Agent, filed as Exhibit 10.84 to the registration statement of AmerUs Life Holdings, Inc. on Form S-4, Registration Number 333-40065, is incorporated by reference.
- 10.12 AmVestors Financial Corporation 1996 Incentive Stock Option Plan, filed as Exhibit (4)(a) to Registration Statement of AmVestors Financial Corporation on Form S-8, Registration Number 333-14571 dated October 21, 1996, is hereby incorporated by reference.
- 10.13 Consent dated as of May 20, 1998 to the Credit Agreement dated as of October 23, 1997 among AmerUs Life Holdings, Inc., Various Lender Institutions, the Co-Arrangers and The Chase Manhattan Bank, as Administrative Agent, filed as Exhibit 10.72 on Form 10-Q, dated November 12, 1998, is hereby incorporated by reference.
- 10.14 First Amendment dated as of May 30, 1997 to the Credit Agreement dated as of October 23, 1997 among AmerUs Life Holdings, Inc., Various Lender Institutions, the Co-Arrangers and The Chase Manhattan Bank, as Administrative Agent, filed as Exhibit 10.73 on Form 10-Q, dated November 12, 1998, is hereby incorporated by reference.
- 10.15 Second Amendment dated as of June 22, 1998 to the Credit Agreement

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- dated as of October 23, 1997 among AmerUs Life Holdings, Inc., Various Lender Institutions, the Co-Arrangers and The Chase Manhattan Bank, as Administrative Agent, filed as Exhibit 10.74 on Form 10-Q, dated November 12, 1998, is hereby incorporated by reference.
- 10.16 Second Consent and Amendment dated as of October 2, 1998 to the Credit Agreement dated as of October 23, 1997 among AmerUs Life Holdings, Inc., Various Lender Institutions, the Co-Arrangers and The Chase Manhattan Bank, as Administrative Agent, filed as Exhibit 10.75 on Form 10-Q, dated November 12, 1998, is hereby incorporated by reference.
- 10.17 MIP Deferral Plan dated as of September 1, 1998, filed as Exhibit 10.76 on Form 10-Q, dated November 12, 1998, is hereby incorporated by reference.
- 10.18 Open Line of Credit Application and Terms Agreement, dated March 5, 1999, between Federal Home Loan Bank of Des Moines and AmerUs Life Insurance Company, filed as Exhibit 10.34 on Form 10-Q dated May 14, 1999, is hereby incorporated by reference.
- 10.19 Third Waiver to Credit Agreement dated as of November 16, 1998 to the Credit Agreement dated as of October 23, 1997 among AmerUs Life Holdings, Inc., Various Lender Institutions, the Co-Arrangers and The Chase Manhattan Bank, as Administrative Agent, filed as Exhibit 10.37 on Form 10-K, dated March 30, 1999, is hereby incorporated by reference.

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- 10.20 Fourth Consent and Amendment, dated as of December 4, 1998 to the Credit Agreement dated as of October 23, 1997 among AmerUs Life Holdings, Inc., Various Lender Institutions, the Co-Arrangers and The Chase Manhattan Bank, as Administrative Agent, filed as Exhibit 10.38 on Form 10-K, dated March 30, 1999, is hereby incorporated by reference.
- 10.21 Facility and Guaranty Agreement, dated February 12, 1999, among The First National Bank of Chicago and AmerUs Life Holdings, Inc., filed as Exhibit 10.39 on Form 10-Q dated May 14, 1999, is hereby incorporated by reference.
- 10.22 Form of Reimbursement Agreement, dated February 15, 1999, among AmerUs Life Holdings, Inc. and Roger K. Brooks, Victor N. Daley, Michael G. Fraizer, Thomas C. Godlasky, Marcia S. Hanson, Mark V. Heitz and Gary R. McPhail, filed as Exhibit 10.40 on Form 10-Q dated May 14, 1999, is hereby incorporated by reference.
- 10.23 Amendment No. 1 to Facility Agreement, dated March 23, 1999, among The First National Bank of Chicago and AmerUs Life Holdings, Inc., filed as Exhibit 10.41 on Form 10-Q dated May 14, 1999, is hereby incorporated by reference.
- 10.24 1999 Non-Employee Stock Option Plan, dated April 19, 1999, filed on Form S-3, Registration Number 333-72643, is hereby incorporated by reference.
- 10.25 Fifth Waiver and Amendment to Credit Agreement dated as of October 1, 1998 to the Credit Agreement dated as of October 23, 1997 among AmerUs Life Holdings, Inc., Various Lender Institutions, the Co-Arrangers and The Chase Manhattan Bank, as Administrative Agent, filed as Exhibit 10.43 on Form 10-Q dated August 13, 1999, is hereby incorporated by reference.
- 10.26 Sixth Amendment to Credit Agreement dated as of May 18, 1999 to the Credit Agreement dated as of October 23, 1997 among AmerUs Life Holdings, Inc., Various Lender Institutions, the Co-Arrangers and The Chase Manhattan Bank, as Administrative Agent, filed as Exhibit 10.44 on Form 10-Q dated August 13, 1999, is hereby incorporated by reference.



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- 10.27 Amendment No. 2 to Facility Agreement, dated January 25, 2000, among The First National Bank of Chicago and the Registrant, filed as Exhibit 10.44 on Form 10-K, dated March 8, 2000, is hereby incorporated by reference.
- 10.28 Irrevocable Standby Letter of Credit Application and Terms Agreement, dated February 1, 2000, between Federal Home Loan Bank of Des Moines and AmerUs Life Insurance Company, filed as Exhibit 10.45 on Form 10-K, dated March 8, 2000, is hereby incorporated by reference.
- 10.29 Seventh Amendment to Credit Agreement dated as of December 23, 1999 to the Credit Agreement dated as of October 23, 1997 among AmerUs Life Holdings, Inc., Various Lender Institutions, the Co-Arrangers and The Chase Manhattan Bank, as Administrative Agent, filed as Exhibit 10.46 on Form 10-K, dated March 8, 2000, is hereby incorporated by reference.
- 10.30 Investment Advisory Agreements, dated as of February 18, 2000, by and between Indianapolis Life Insurance Company, Bankers Life Insurance Company of New York, IL Annuity and Insurance Company, Western Security Life Insurance Company and AmerUs Capital Management Group, Inc. filed as Exhibits 10.1, 10.3, 10.4 and 10.2, respectively, to AmerUs Life Holdings, Inc.'s report on Form 8-K/A on March 6, 2000, are hereby incorporated by reference.
- 10.31 Advance, Pledge and Security Agreement, dated April 12, 2000, by and between the Federal Home Loan Bank of Topeka and American Investors Life Insurance Company, Inc., filed as Exhibit 10.48 on Form 10-Q, dated May 15, 2000, is hereby incorporated by reference.
- 10.32 Institutional Custody Agreement, dated April 12, 2000, by and between the Federal Home Loan Bank of Topeka and American Investors Life Insurance Company, Inc., filed as Exhibit 10.49 on Form 10-Q, dated May 15, 2000, is hereby incorporated by reference.
- 10.33 Line of Credit Application, dated April 12, 2000, by and between the Federal Home Loan Bank of Topeka and American Investors Life Insurance Company, Inc., filed as Exhibit 10.50 on Form 10-Q, dated May 15, 2000, is hereby incorporated by reference.
- 10.34 Stock Purchase Agreement, dated February 1, 2000, by and among AmVestors Financial Corporation, Creative Marketing International Corporation and the Stockholders of Creative Marketing International Corporation, filed as Exhibit 10.51 on Form 10-Q, dated May 15, 2000, is hereby incorporated by reference.

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- 10.35 Stock Purchase Agreement, dated February 23, 2000, by and among American Investors Sales Group, Inc., Community Bank Marketing, Inc. and Community Financial Services, Inc., filed as Exhibit 10.52 on Form 10-Q, dated May 15, 2000, is hereby incorporated by reference.
- 10.36 Agreement for Advances, Pledge and Security Agreement, dated March 12, 1992, by and between Central Life Assurance Company and the Federal Home Loan Bank of Des Moines, filed as Exhibit 10.53 on Form 10-Q, dated May 15, 2000, is hereby incorporated by reference.
- 10.37 Agreement for Advances, Pledge and Security Agreement, dated September 1, 1995, by and between American Vanguard Life Insurance Company and the Federal Home Loan Bank of Des Moines, filed as Exhibit 10.54 on Form 10-Q, dated May 15, 2000, is hereby incorporated by reference.
- 10.38 Agreement and Plan of Merger, dated September 30, 1998, by and among AmVestors Financial Corporation, Senior Benefit Services of Kansas, Inc., Senior Benefit Services Insurance Agency, Inc., National Senior Benefit Services, Inc. and Richard McCarter, filed as Exhibit 10.55 on Form 10-Q, dated May 15, 2000, is hereby incorporated by reference.
- 10.39 Eighth Amendment to Credit Agreement dated as of June 23, 2000 to the Credit Agreement dated as of October 23, 1997 among AmerUs Life

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- Holdings, Inc., various Lender Institutions, the Co-Arrangers and The Chase Manhattan Bank, as Administrative Agent, filed as Exhibit 10.57 on Form 10-Q, dated August 14, 2000, is hereby incorporated by reference.
- 10.40 Affirmation Agreement to Facility and Guaranty Agreement dated February 12, 1999 by American Mutual Holding Company, survivor of a merger with AmerUs Life Holdings, Inc. in favor of the Agent and the Lenders, dated September 20, 2000, filed as Exhibit 10.58 on Form 10-Q, dated November 14, 2000, is hereby incorporated by reference.
- 10.41 Amendment to Facility and Guaranty Agreement dated February 12, 1999 among The First National Bank of Chicago and AmerUs Group Co., dated September 20, 2000, filed as Exhibit 10.59 on Form 10-Q, dated November 14, 2000, is hereby incorporated by reference.
- 10.42 Acknowledgement and Assumption Agreement to Credit Agreement dated October 23, 1997, among American Mutual Holding Company and The Chase Manhattan Bank, as Administrative Agent for Various Lender Institutions, dated September 20, 2000, filed as Exhibit 10.60 on Form 10-Q, dated November 14, 2000, is hereby incorporated by reference.
- 10.43 AmerUs Group Co. 2000 Stock Incentive Plan, dated November 15, 2000, filed as Exhibit 99.9 to the registration statement of AmerUs Group Co. on Form S-8, Registration Number 333-50030, is hereby incorporated by reference.
- 11\* Statement Re: Computation of Earnings per share.
- 99.1 Retirement Agreement, dated March 14, 2000, by and between Victor N. Daley and AmerUs Life Holdings, Inc., filed as Exhibit 99.8 on Form 10-Q, dated May 15, 2000, is hereby incorporated by reference.
- 99.2 First Amendment to Employment Agreement, dated as of April 15, 1999, to the Employment Agreement dated as of September 19, 1997, among Mark V. Heitz, AmVestors Financial Corporation, American Investors Life Insurance Company, Inc., AmVestors Investment Group, Inc., American Investors Sales Group, Inc., and AmerUs Life Holdings, Inc., filed as Exhibit 99.4 on Form 10-Q dated August 13, 1999, is hereby incorporated by reference.
- 99.3 Supplemental Benefit Agreement, dated as of April 15, 1999, among Roger K. Brooks and AmerUs Life Holdings, Inc., filed as Exhibit 99.5 on Form 10-Q dated August 13, 1999, is hereby incorporated by reference.
- 99.4 Form of Supplemental Benefit Agreement, dated as of April 15, 1999, among AmerUs Life Holdings, Inc. and Victor N. Daley, Michael G. Fraizer, Thomas C. Godlasky and Gary R. McPhail, filed as Exhibit 99.6 on Form 10-Q dated August 13, 1999, is hereby incorporated by reference.
- 99.5 Amended and Restated Employment Agreement, dated as of April 15, 1999, among Marcia S. Hanson and AmerUs Life Holdings, Inc., filed as Exhibit 99.7 on Form 10-Q dated August 13, 1999, is hereby incorporated by reference.
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- 99.6 Agreement and Release, dated as of December 31, 1999, by and between Marcia S. Hanson, AmerUs Life Holdings, Inc., Registrant, American Mutual Holding Company, and all of their respective subsidiaries and affiliates, filed as Exhibit 99.6 on Form 10-K, dated March 8, 2000, is hereby incorporated by reference.
- 99.7 Form of Supplemental Benefit Agreement, dated as of February 7, 2000, among AmerUs Life Holdings, Inc. and Victor N. Daley, Michael G. Fraizer, Thomas C. Godlasky and Gary R. McPhail, filed as Exhibit 99.7 on Form 10-K, dated March 8, 2000 is hereby incorporated by reference.

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\* included herein