

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

LANDAMERICA FINANCIAL GROUP INC
Form 10-Q
November 14, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For Quarter Ended September 30, 2001 Commission File No. 1-13990

LANDAMERICA FINANCIAL GROUP, INC.
(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

54-1589611
(I.R.S. Employer
Identification No.)

101 Gateway Centre Parkway
Richmond, Virginia
(Address of principal executive offices)

23235-5153
(Zip Code)

(804) 267-8000
(Registrant's telephone number, including area code)

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, and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, No Par Value 18,581,112 November 8, 2001

LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES

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LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars)
(Unaudited)

| ASSETS | September 30, 2001 | December 2000 |
|---|-----------------------|------------------|
| ----- | ---- | ---- |
| INVESTMENTS: | | |
| Fixed maturities available-for-sale - at fair value (amortized cost: 2001 - \$840,224; 2000 - \$800,504) | \$ 861,220 | \$ 796 |
| Equity securities - at fair value (cost: 2001 - \$4,219; 2000 - \$4,285) | 2,372 | 3 |
| Mortgage loans (less allowance for doubtful accounts: 2001 - \$196; 2000 - \$139) | 14,344 | 9 |
| Invested cash | 58,744 | 80 |
| | ----- | ----- |
| Total Investments | 936,680 | 890 |
| CASH | 24,075 | 42 |

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NOTES AND ACCOUNTS RECEIVABLE:

| | | |
|--|--------------|----------|
| Notes (less allowance for doubtful accounts: 2001 - \$4,779; 2000 - \$2,230) | 11,073 | 11 |
| Premiums (less allowance for doubtful accounts: 2001 - \$7,022; 2000 - \$9,945) | 52,002 | 36 |
| Income tax recoverable | - | 4 |
| | ----- | ----- |
| Total Notes and Accounts Receivable | 63,075 | 52 |
| PROPERTY AND EQUIPMENT - at cost (less accumulated depreciation and amortization: 2001 - \$113,751; 2000 - \$92,715) | 68,633 | 61 |
| TITLE PLANTS | 92,704 | 91 |
| GOODWILL (less accumulated amortization: 2001 - \$38,671; 2000 - \$32,072) (Note 4) | 232,409 | 217 |
| DEFERRED INCOME TAXES | 125,537 | 139 |
| OTHER ASSETS | 128,639 | 123 |
| | ----- | ----- |
| Total Assets | \$ 1,671,752 | \$ 1,618 |
| | ===== | ===== |

See accompanying notes.

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LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (In thousands of dollars) (Unaudited)

| | September 30, 2001 | December 2000 |
|---------------------------------------|-----------------------|------------------|
| LIABILITIES | ----- | ----- |
| POLICY AND CONTRACT CLAIMS | \$ 557,765 | \$ 556 |
| ACCOUNTS PAYABLE AND ACCRUED EXPENSES | 136,853 | 178 |
| FEDERAL Income taxES | 10,921 | |
| NOTES PAYABLE | 208,478 | 202 |
| OTHER | 19,806 | 16 |
| | ----- | ----- |
| Total Liabilities | 933,823 | 954 |
| | ----- | ----- |

COMMITMENTS AND CONTINGENCIES (Note 3)

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SHAREHOLDERS' EQUITY

| | | |
|---|--------------|----------|
| Preferred stock, no par value, authorized 5,000,000 shares, no shares of Series A Junior Participating Preferred Stock issued or outstanding; shares of 7% Series B Cumulative Convertible Preferred Stock issued and outstanding: 2001 - 0; 2000 - 2,200,000 | - | 175 |
| Common stock, no par value, 45,000,000 shares authorized, shares issued and outstanding: 2001 - 18,579,363; 2000 - 13,518,319 | 521,567 | 340 |
| Accumulated other comprehensive gain (loss) | 12,448 | (4) |
| Retained earnings | 203,914 | 152 |
| | ----- | ----- |
| Total Shareholders' Equity | 737,929 | 664 |
| | ----- | ----- |
| Total Liabilities and Shareholders' Equity | \$ 1,671,752 | \$ 1,618 |
| | ===== | ===== |

See accompanying notes.

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LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(In thousands of dollars except per share amounts)
(Unaudited)

| | Three Months Ended September 30, | | Nine Mon Septe |
|--|-------------------------------------|------------|-------------------|
| | 2001 | 2000 | 2001 |
| | ---- | ---- | ---- |
| REVENUES | | | |
| Title and other operating revenues: | | | |
| Direct operations | \$ 250,665 | \$ 195,353 | \$ 724,271 |
| Agency operations | 277,367 | 244,280 | 770,983 |
| | ----- | ----- | ----- |
| | 528,032 | 439,633 | 1,495,254 |
| Investment income | 12,507 | 12,724 | 38,289 |
| Gain (loss) on sales of investments | 542 | 39 | (235) |
| | ----- | ----- | ----- |
| | 541,081 | 452,396 | 1,533,308 |
| | ----- | ----- | ----- |
| EXPENSES | | | |
| Salaries and employee benefits | 164,148 | 129,931 | 470,733 |
| Agents' commissions | 219,426 | 191,509 | 607,976 |
| Provision for policy and contract claims | 20,789 | 19,340 | 58,805 |
| Interest expense | 2,943 | 3,412 | 9,925 |
| Amortization of intangibles | 2,475 | 2,821 | 7,328 |
| Exit and termination costs | - | 2,179 | - |

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| | | | |
|---|-----------|----------|-----------|
| General, administrative and other | 102,005 | 91,337 | 294,315 |
| | ----- | ----- | ----- |
| | 511,786 | 440,529 | 1,449,082 |
| | ----- | ----- | ----- |
| INCOME BEFORE INCOME TAXES | 29,295 | 11,867 | 84,226 |
| INCOME TAX EXPENSE (BENEFIT) | | | |
| Current | 5,332 | 6,018 | 23,869 |
| Deferred | 5,213 | (1,983) | 6,451 |
| | ----- | ----- | ----- |
| | 10,545 | 4,035 | 30,320 |
| | ----- | ----- | ----- |
| NET INCOME | 18,750 | 7,832 | 53,906 |
| DIVIDENDS - PREFERRED STOCK | - | (1,925) | (145) |
| | ----- | ----- | ----- |
| NET INCOME AVAILABLE TO COMMON SHAREHOLDERS | \$ 18,750 | \$ 5,907 | \$ 53,761 |
| | ===== | ===== | ===== |
| NET INCOME PER COMMON SHARE | \$ 1.02 | \$ 0.44 | \$ 3.12 |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | 18,418 | 13,431 | 17,240 |
| NET INCOME PER COMMON SHARE ASSUMING DILUTION | \$ 1.01 | \$ 0.43 | \$ 2.91 |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING ASSUMING DILUTION | 18,567 | 18,403 | 18,525 |

See accompanying notes.

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LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(In thousands of dollars)
(Unaudited)

| | 2001 | |
|---|-----------|----|
| | ---- | |
| Cash flows from operating activities: | | |
| Net income | \$ 53,906 | \$ |
| Depreciation and amortization | 26,276 | |
| Amortization of bond premium | 2,134 | |
| Realized investment losses | 235 | |
| Deferred income tax | 6,451 | |
| Change in assets and liabilities, net of businesses acquired: | | |
| Notes receivable | (62) | |
| Premiums receivable | (15,145) | |
| Income taxes receivable/payable | 15,400 | |
| Policy and contract claims | 967 | |
| Accounts payable and accrued expenses | (41,828) | |
| Other | (7,329) | |

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| | | |
|---|-----------|----|
| Net cash provided by operating activities | 41,005 | |
| Cash flows from investing activities: | | |
| Purchase of property and equipment, net | (25,982) | |
| Purchase of business, net of cash acquired | (16,227) | |
| Change in cash surrender value | (1,476) | |
| Cost of investments acquired: | | |
| Fixed maturities - available-for-sale | (286,172) | |
| Equity securities | (8) | |
| Mortgage loans | (42,016) | |
| Proceeds from investment sales or maturities: | | |
| Fixed maturities - available-for-sale | 244,158 | |
| Mortgage loans | 37,324 | |
| Net cash used in investing activities | (90,399) | |
| Cash flows from financing activities: | | |
| Proceeds from the sale of common shares | 5,598 | |
| Cost of common shares repurchased | - | |
| Dividends paid | (2,835) | |
| Proceeds from issuance of notes payable | 160,000 | |
| Payments on notes payable | (153,901) | |
| Net cash provided by (used in) financing activities | 8,862 | |
| Net decrease in cash and invested cash | (40,532) | |
| Cash and invested cash at beginning of period | 123,351 | |
| Cash and invested cash at end of period | \$ 82,819 | \$ |

See accompanying notes.

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LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(In thousands of dollars except per share amounts)
(Unaudited)

| | Preferred Stock | | Common Stock | | Accumulated Other Comprehensive Income |
|-------------------------------|-----------------|------------|--------------|------------|---|
| | Shares | Amounts | Shares | Amounts | |
| Balance - December 31, 1999 | 2,200,000 | \$ 175,700 | 13,680,421 | \$ 342,138 | \$ (|
| Net income | - | - | - | - | |
| Unrealized gain on securities | - | - | - | - | |
| Comprehensive income | - | - | - | - | |
| Common stock issued | - | - | 111,198 | 2,572 | |
| Common stock retired | - | - | (287,300) | (4,906) | |

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| | | | | | |
|---------------------------------|-------------|------------|------------|------------|-------|
| Preferred dividends (7%) | - | - | - | - | - |
| Common dividends (\$0.15/share) | - | - | - | - | - |
| | ----- | ----- | ----- | ----- | ----- |
| Balance - September 30, 2000 | 2,200,000 | \$ 175,700 | 13,504,319 | \$ 339,804 | \$ (|
| | ===== | ===== | ===== | ===== | ===== |
| Balance - December 31, 2000 | 2,200,000 | \$ 175,700 | 13,518,319 | \$ 340,269 | \$ |
| Net income | - | - | - | - | - |
| Unrealized gain on securities | - | - | - | - | - |
| Comprehensive income | - | - | - | - | - |
| Common stock issued | - | - | 236,485 | 5,598 | |
| Preferred stock conversion | (2,200,000) | (175,700) | 4,824,559 | 175,700 | |
| Preferred dividends (7%) | - | - | - | - | - |
| Common dividends (\$0.15/share) | - | - | - | - | - |
| | ----- | ----- | ----- | ----- | ----- |
| Balance - September 30, 2001 | - | \$ - | 18,579,363 | \$ 521,567 | \$ |
| | ===== | ===== | ===== | ===== | ===== |

See accompanying notes.

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LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (In thousands of dollars except per share amounts)

1. Interim Financial Information

The unaudited consolidated financial information included in this report has been prepared in conformity with the accounting principles and practices reflected in the consolidated financial statements included in the Form 10-K for the year ended December 31, 2000 filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934. This report should be read in conjunction with the aforementioned Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of this information have been made. The results of operations for the interim periods are not necessarily indicative of results for a full year.

Certain 2000 amounts have been reclassified to conform to the 2001 presentation.

2. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

| | Three Months Ended | | Nine Month |
|--|--------------------|------|------------|
| | September 30, | | Septemb |
| | 2001 | 2000 | 2001 |
| | ---- | ---- | ---- |

Numerator:

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| | | | |
|--|-----------|----------|-----------|
| Net income - numerator for diluted earnings per share | \$ 18,750 | \$ 7,832 | \$ 53,906 |
| Less preferred dividends | - | 1,925 | 145 |
| | ----- | ----- | ----- |
| Numerator for basic earnings per share | \$ 18,750 | \$ 5,907 | \$ 53,761 |
| | ===== | ===== | ===== |
| Denominator: | | | |
| Weighted average shares - denominator for basic earnings per share | 18,418 | 13,431 | 17,240 |
| Effect of dilutive securities: | | | |
| Assumed weighted average conversion of preferred stock | - | 4,824 | 1,125 |
| Employee stock options | 149 | 148 | 160 |
| | ----- | ----- | ----- |
| Denominator for diluted earnings per share | 18,567 | 18,403 | 18,525 |
| | ===== | ===== | ===== |
| Basic earnings per common share | \$1.02 | \$0.44 | \$3.12 |
| | ===== | ===== | ===== |
| Diluted earnings per common share | \$1.01 | \$0.43 | \$2.91 |
| | ===== | ===== | ===== |

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3. Commitments and Contingencies

For additional information, see Pending Legal Proceedings on pages F-29, F-30 and F-31 and Legal Proceedings on pages 13, 14 and 15 of the Form 10-K for the fiscal year ended December 31, 2000, Legal Proceedings on page 13 of the Form 10-Q for the quarter ended March 31, 2001, and Legal Proceedings on page 14 of the Form 10-Q for the period ended June 30, 2001.

4. Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS No. 141") and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 141 requires that all business combinations be accounted for under the purchase method. The statement applies to all business combinations initiated after June 30, 2001.

SFAS No. 142 requires that an intangible asset that is acquired shall be initially recognized and measured based on its fair value. The statement also provides that goodwill should not be amortized, but shall be tested for impairment annually, or more frequently if circumstances indicate potential impairment, through a comparison of fair value to its carrying amount. Existing goodwill will continue to be amortized through the remainder of 2001 at which time amortization will cease and the Company will perform a transitional goodwill impairment test. SFAS No. 142 is

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effective for the fiscal periods beginning after December 15, 2001. The Company is currently evaluating the impact of the new accounting standards on existing goodwill and other intangible assets. The ultimate impact of the new accounting standards has yet to be determined.

5. Subsequent Event

The Company recently determined that it would no longer pursue the development of TitleQuest, its back office title production software. On November 5, 2001, approximately forty employees of Elliptus Technologies, Inc., the Company's technology subsidiary, were terminated in connection with the decision. The Company expects to record a non-cash, after-tax charge of approximately \$7.2 million in the fourth quarter 2001 relating to the TitleQuest project. The decision is not expected to have a material effect on the Company's operations.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Operating Revenues

Operating revenues for the third quarter and first nine months of 2001 exceeded the levels experienced in the comparable periods of 2000 as lower mortgage rates sparked heightened levels of refinancing activity. Revenues for the third quarter were \$528.0 million or 20% over the \$439.6 million reported for the prior year's third quarter. In the first nine months of 2001 revenues were \$1.50 billion compared to \$1.29 billion reported in the same period of 2000.

In both the three and nine month periods of 2001, the revenue increases compared to the same periods of 2000 were stronger in the direct operations than agency operations. Agency revenues are recognized as they are reported, and the lag compared to the direct revenue increase is expected.

Open order counts were 250,000 in the third quarter of 2001 compared to 172,100 in the third quarter of 2000.

Investment Income

Investment income in the first nine months of 2001 was \$38.3 million compared to \$38.1 million in the first nine months of 2000.

Expenses

Operating expenses for the third quarter of 2001 were \$511.8 million compared to \$440.5 million for the third quarter of 2000 and were \$1.45 billion in the first nine months of 2001 compared to \$1.29 billion in the first nine months of 2000. Salaries and employee benefits increased in the 2001 periods over the prior year periods principally as a result of increased staffing levels required by higher business volumes and higher levels of variable pay associated with the increased revenue and improved profitability. Commissions retained by agents increased in direct proportion to the volume of agency revenue reported. General administrative and other expenses increased primarily as a result of higher business volumes.

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The provision for policy and contract claims was \$20.8 million in the third quarter of 2001 compared to \$19.3 million in the third quarter of 2000. In the nine months ended September 30, 2001 this provision was \$58.8 million compared to \$56.7 million in the comparable period of 2000. These increases are the result of a higher level of business written offset by improved experience particularly related to the refinance book of business.

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Net Income

LandAmerica reported net income of \$18.8 million, or \$1.01 per share on a diluted basis, for the third quarter of 2001, compared to net income of \$7.8 million, or \$0.43 per share on a diluted basis, for the third quarter of 2000. The results for the third quarter of 2000 were impacted by a one time after-tax charge of \$1.4 million, or \$0.08 per diluted share, for personnel and termination costs related to the Data Trace joint venture entered into during that period.

For the nine months ended September 30, 2001, net income was \$53.9 million, or \$2.91 per share on a diluted basis, compared to \$23.5 million, or \$1.28 per share on a diluted basis, for the first nine months of 2000. The first nine months of 2001 included an after-tax loss on sales of investments of \$0.2 million compared to an after-tax loss on sales of investments of \$0.1 million for the first nine months of 2000, both less than \$0.01 per diluted share. The 2000 nine month period was also impacted by the one time after-tax charges of \$1.4 million, or \$0.08 per diluted share, related to the joint venture noted above.

Liquidity and Capital Resources

Cash provided by operating activities for the nine months ended September 30, 2001 was \$41.0 million. As of September 30, 2001, the Company held cash and invested cash of \$82.8 million and fixed maturity securities of \$861.2 million.

In addition, the Company has \$94.5 million of unused availability under a credit facility at September 30, 2001.

During February, March and June 2001, 2.2 million shares of the Company's preferred stock were converted to common stock. This conversion decreases the amount of preferred dividends paid by \$7.7 million on an annual basis. The new common shares will require dividends at the same rate paid on all other outstanding common shares.

The Company believes that it will have sufficient liquidity and capital resources to meet both its short and long term capital needs.

Interest Rate Risk

The following table provides information about the Company's financial instruments that are sensitive to changes in interest rates. For investment securities, the table presents principal cash flows and related weighted interest rates by expected maturity dates. Actual cash flows could differ from the expected amounts.

| | Interest Rate Sensitivity | | | | | |
|--------------------|---------------------------------------|----------|----------|----------|----------|-------------------|
| | Principal Amount by Expected Maturity | | | | | |
| | Average Interest Rate | | | | | |
| | ----- | | | | | |
| | (dollars in thousands) | | | | | |
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 and after |
| | ---- | ---- | ---- | ---- | ---- | ----- |
| Assets: | | | | | | |
| Taxable | | | | | | |
| available-for-sale | | | | | | |
| securities: | | | | | | |
| Book value | \$3,717 | \$25,277 | \$40,976 | \$27,471 | \$51,481 | \$343,822 |
| Average yield | 6.8% | 6.1% | 5.8% | 6.8% | 6.8% | 6.8% |
| Non-taxable | | | | | | |
| available-for-sale | | | | | | |
| securities: | | | | | | |
| Book value | 25 | 8,094 | 16,237 | 18,039 | 33,876 | 221,494 |
| Average yield | 5.3% | 4.4% | 5.0% | 4.7% | 4.4% | 4.9% |
| Preferred stock: | | | | | | |
| Book value | - | - | - | - | - | 49,715 |
| Average yield | - | - | - | - | - | 7.7% |

The Company also has variable rate long-term debt of \$55.5 million bearing interest at 4.03% at September 30, 2001. A .25% change in the interest rate would affect income before income taxes by approximately \$0.1 million annually.

Change in Accounting for Goodwill

In the fourth quarter of 2000 the Company elected to change its accounting policy for assessing the recoverability of goodwill from one based on undiscounted cash flows to one based on discounted cash flows. The Company believes that using the discounted cash flow approach to assess recoverability is a preferable policy as it is consistent with the methodology used by the Company to evaluate investment and acquisition decisions. In connection with this change, the Company incurred a non-cash pre-tax charge of \$172.5 million related to the goodwill acquired through the 1998 acquisition of Commonwealth and Transnation. The discount rate used in determining discounted cash flows was 13.5% representing the Company's cost of capital. In originally evaluating this acquisition, the Company used discount rates ranging from 12% to 16% for discounting anticipated future cash flows. After recording this charge the remaining goodwill related to the Commonwealth and Transnation acquisition was \$95.4 million.

Forward-Looking and Cautionary Statements

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Certain information contained in this Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the

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Securities Exchange Act of 1934, as amended. Among other things, these statements relate to the financial condition, results of operation and business of the Company. In addition, the Company and its representatives may from time to time make written or oral forward-looking statements, including statements contained in other filings with the Securities and Exchange Commission and in its reports to shareholders. These forward-looking statements are generally identified by phrases such as "the Company expects," "the Company believes" or words of similar import. These forward-looking statements involve certain risks and uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Further, any such statement is specifically qualified in its entirety by the following cautionary statements.

In connection with the title insurance industry in general, factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include the following: (i) the costs of producing title evidence are relatively high, whereas premium revenues are subject to regulatory and competitive restraints; (ii) real estate activity levels have historically been cyclical and are influenced by such factors as interest rates and the condition of the overall economy; (iii) the value of the Company's investment portfolio is subject to fluctuation based on similar factors; (iv) the title insurance industry may be exposed to substantial claims by large classes of claimants and (v) the industry is regulated by state laws that require the maintenance of minimum levels of capital and surplus and that restrict the amount of dividends that may be paid by the Company's insurance subsidiaries without prior regulatory approval.

The Company cautions that the foregoing list of important factors is not exclusive. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The information required by this Item is set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations - Interest Rate Risk" in Item 2 of this report.

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PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

Exhibit No.

Document

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Statement re: Computation of Earnings Per Share.

b) Reports on Form 8-K

Form 8-K, filed September 6, 2001, reporting under Item 5 that the Company issued a press release on September 4, 2001 relating to the Company's issuance of \$150 million of senior notes through a private placement managed by First Union Securities, Inc. and SunTrust Equitable Securities.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LANDAMERICA FINANCIAL GROUP, INC.

(Registrant)

Date: November 12, 2001

/s/ Charles Henry Foster, Jr.

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Charles Henry Foster, Jr.
Chairman and Chief Executive Officer

Date: November 12, 2001

/s/ G. William Evans

G. William Evans
Executive Vice President and Chief
Financial Officer

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EXHIBIT INDEX

| Exhibit No. --- | Document ----- |
|-----------------------|--|
| 11 | Statement Re: Computation of Earnings Per Share. |