

VESTA INSURANCE GROUP INC
Form 8-K
March 04, 2002

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

FORM 8-K
CURRENT REPORT

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

Date of Report
February 28, 2002
(Date of earliest event reported)

VESTA INSURANCE GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

63-1097283
(I.R.S. Employer
Identification No.)

3760 River Run Drive
Birmingham, Alabama
(Address of principal executive offices)

35243
(Zip Code)

(205) 970-7000
(Registrant's telephone number, including area code)

Item 5. Other Events.

On February 28, 2002, the Registrant issued a press release announcing its results for the fourth quarter of 2001. A copy of this press release is attached as Exhibit 99.1 and incorporated herein by reference.

Item 7. Financial Statements and Exhibits.

(c) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated February 28, 2002.

SIGNATURE

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

Dated as of February 28, 2002.

VESTA INSURANCE GROUP, INC.

By: /s/ Donald W. Thornton
Its: Senior Vice President --
General Counsel and Secretary

EXHIBIT 99.1

FOR IMMEDIATE RELEASE

Contact: Charles R. Lambert
Manager Investor Relations
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VESTA REPORTS FOURTH QUARTER AND YEAR END RESULTS

*2001 Revenues Increase by 40% Over Prior Year;
Vesta's Life & Health Segment Continues Excellent Results*

BIRMINGHAM, Ala. - February 28, 2002 - Vesta Insurance Group, Inc. (NYSE: VTA) today reported a 40% increase in revenue in 2001 and its life and health segment continues to provide an excellent return on investment with a 128% increase in pre-tax income from continuing operations in 2001 compared to 2000.

Vesta reported a net operating loss from continuing operations of \$2.6 million, or \$0.08 per diluted share, for the quarter ending December 31, 2001 compared to operating earnings of \$2.3 million, or \$0.09 per diluted share, for the corresponding period in 2000. For the year ended December 31, 2001, Vesta reported net operating earnings from continuing operations of \$6.1 million, or \$0.23 per diluted share, compared to net operating earnings of \$9.7 million, or \$0.40 per diluted share, for 2000.

Including non-recurring items, the Company reported a net loss from continuing operations of \$2.0 million, or \$0.06 per diluted share, in the fourth quarter of 2001 compared to earnings of \$2.1 million, or \$0.09 per diluted share, in the corresponding period in 2000. For the year ended December 31, 2001, the net loss from continuing operations was \$10.3 million, or \$0.39 per diluted share, compared to earnings of \$8.3 million, or \$0.34 per diluted share, for 2000.

"While we are disappointed in our fourth quarter results, which include a number of unusual items that negatively affected our operating results, we remain committed to our strategic plan which is producing significant revenue growth," said James E. Tait, Chairman of Vesta Insurance Group. "We are comfortable that we will meet analysts' forecasts of operating earnings for 2002."

Segment Results

Vesta's standard property-casualty business reported net written premium of \$77.0 million in the fourth quarter of 2001 compared to \$47.0 million in the same period of 2000. The Company's GAAP combined ratio for the fourth quarter was 110.1% for its standard property-casualty segment. For fiscal year 2001, the Company's combined ratio was 99.7%.

The standard property-casualty results included a \$4.0 million pre-tax charge to increase reserves and approximately \$2.0 million of unusual expenses, including guaranty fund assessments related to the insolvency of Reliance Insurance Co. and bad debt expense in the quarter.

Our non-standard auto business segment broke even in the fourth quarter, as a result of income generated from strategic acquisitions completed in the period. The acquisition strategy has continued in the first quarter and company management is confident in continued improvement in 2002 as Vesta builds its retail agency operations and grows in the non-standard auto market.

Vesta's life and health segment posted \$1.9 million in net operating earnings from continuing operations in the quarter, a 25% increase from the corresponding period in 2000. The Company also reported \$1.2 million in losses, net of tax and minority interest, in the fourth quarter due to investments in Enron Corporation and \$1.7 million in realized losses, net of tax and minority interest, related to collateral loans.

From October 1, 2001 to February 28, 2002, Vesta has repurchased 963,800 shares of its common stock at a cost ranging from \$5.64 to \$6.99 per share.

The Company's debt to total capital ratio was 33.8% as of December 31, 2001 compared to 36.7% as of December 31, 2000. On February 5, 2002, Vesta issued approximately 534,000 shares of common stock in exchange for \$4.6 million face value of the Company's 8.75% Senior Debentures due 2025 and \$.8 million face value of the Company's 8.525% Deferrable Capital Securities due 2027. On a pro forma basis, as of December 31, 2001, Vesta's debt to total capital ratio is 32.5%.

About Vesta Insurance Group, Inc.

Vesta, headquartered in Birmingham, Ala., is a holding company for a group of insurance and financial services companies that offer a wide range of consumer-based products.

This news release contains statements concerning management's beliefs, plans or objectives for Vesta's future operations or financial performance, including operating earnings and segment profitability. These statements, whether expressed or implied, are only predictions and should be considered "forward-looking statements" under applicable securities laws. You should be aware that Vesta's actual operations and financial performance, including its combined ratio for the fiscal year ended December 31, 2002, may differ materially from those reflected in these

forward-looking statements. Some of the factors that could affect the forward-looking statements contained herein include, without limitation: that further adverse development occurs in discontinued operations; that competitors may decide to target the Company's customer base by offering lower priced insurance; that the Company's independent agents may decide to discontinue sales of the Company's insurance to the individuals they represent; that new policy application levels may not rise to levels necessary to generate sufficient premium volume to achieve its financial performance goals; that A.M. Best may downgrade the Company's rating; that the Company is unable to execute its non-standard auto agency acquisition strategy; and that Vesta may ultimately be unable to recover a significant amount of paid losses currently reflected on its published financial statements as recoverable under a reinsurance treaty. Please refer to the documents Vesta files from time to time with the Securities and Exchange Commission, specifically Vesta's most recent Form 10-K and Exhibit 99.1 attached thereto and the Prospectus dated June 20, 2001, which contains and identifies additional important factors that could cause the actual results to differ materially from those contained in the projections or forward-looking statements.

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Vesta Insurance Group, Inc.
4th Quarter 2001 Segment Comparison
(amounts in thousands)

	Life and Health Insurance		Standard Property-Casualty		Non 200
	2001	2000	2001	2000	
Revenues:					
Net premiums written	\$8,260	\$1,515	\$76,984	\$ 46,951	
(Increase) decrease in unearned premiums	--	--	(16,364)	5,572	
Net premiums earned	8,260	1,515	60,620	52,523	
Net investment income	11,356	10,742	--	--	\$
Policy fees	1,045	1,035	1,262	--	
Other	511	201	132	34	4,
Total revenues	21,172	13,493	62,014	52,557	4,
Expenses:					
Policyholder benefits	10,019	5,308	--	--	
Loss and LAE expenses incurred	--	--	44,228	32,312	
Policy acquisition expenses	2,534	(472)	13,699	13,018	
Operating expenses	2,705	2,831	10,213	6,277	4,
Interest on debt	1,889	2,682	--	--	
Goodwill and other intangible amortization	--	--	--	--	
Total expenses	17,147	10,349	68,140	51,607	4,
Income (loss) from continuing operations before income taxes deferrable capital securities, and minority interest	4,025	3,144	(6,126)	950	
Income taxes (benefit)	1,409	889	(2,144)	335	
Deferrable capital securities, net of tax	--	--	--	--	
Minority interest in subsidiary, net of tax	711	737	--	--	
Net operating earnings (loss) from continuing operations	\$1,905	\$1,518	\$ (3,982)	\$ 615	\$

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Litigation settlement (charge) reversal, net of tax					
Realized gains (losses), net of tax and minority interest	(2,186)				
	-----	-----	-----	-----	-----
Net income (loss) from continuing operations	\$ (281)	\$ 1,518	\$ (3,982)	\$ 615	\$ (1)
	=====	=====	=====	=====	=====

*Excludes realized investment gains and losses

Vesta Insurance Group, Inc.
2001 Segment Comparison
(amounts in thousands)

	Life and Health Insurance		Standard Property-Casualty		Non
	2001	2000	2001	2000	200
	-----	-----	-----	-----	-----
Revenues:					
Net premiums written	\$30,572	\$3,093	\$263,962	\$205,461	
(Increase) decrease in unearned premiums	--	--	(17,899)	7,348	
	-----	-----	-----	-----	-----
Net premiums earned	30,572	3,093	246,063	212,809	
Net investment income	43,494	21,360	--	--	\$
Policy fees	3,971	2,209	3,547	2,177	
Other	1,060	712	718	--	5,
	-----	-----	-----	-----	-----
Total revenues	79,097	27,374	250,328	214,986	6,
Expenses:					
Policyholder benefits	35,950	9,610	--	--	
Loss and LAE expenses incurred	--	--	161,599	124,772	
Policy acquisition expenses	8,092	619	54,795	52,361	
Operating expenses	12,520	5,855	32,356	26,616	9,
Interest on debt	8,584	5,179	--	--	
Goodwill and other intangible amortization	--	--	--	--	
	-----	-----	-----	-----	-----
Total expenses	65,146	21,263	248,750	203,749	9,
Income (loss) from continuing operations before income taxes deferrable capital securities, and minority interest	13,951	6,111	1,578	11,237	(2,
Income taxes (benefit)	4,427	1,720	838	3,833	(1,
Deferrable capital securities, net of tax	--	--	--	--	
Minority interest in subsidiary, net of tax	2,307	1,595	--	--	(
	-----	-----	-----	-----	-----
Net operating earnings (loss) from continuing operations	\$7,217	2,796	\$740	\$7,404	\$(1,
	=====	=====	=====	=====	=====
Litigation settlement (charge) reversal, net of tax					

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Realized gains (loss), net of tax and minority interest	(1,537)				
Net income (loss) from continuing operations	\$5,680	\$2,796	\$ 740	\$ 7,404	\$ (1

*Excludes realized investment gains and losses

Vesta Insurance Group, Inc.
Quarter vs. Quarter and YTD vs. YTD
(amounts in thousands), except per share data

	3 Months Ended December 31, 2001	2000	12
Revenues:			
Net premiums written	\$ 90,704	\$ 50,288	
(Increase) decrease in unearned premiums	(17,183)	4,706	
Net premiums earned	73,521	54,994	
Net investment income	15,755	16,788	
Policy fees	2,463	1,035	
Other	8,495	297	
Total revenues	100,234	73,114	
Expenses:			
Policyholder benefits	10,019	5,308	
Loss and LAE expenses incurred	47,928	32,917	
Policy acquisition expenses	17,360	12,756	
Operating expenses	22,144	12,279	
Interest on debt	4,366	4,751	
Goodwill and other intangible amortization	964	486	
Total expenses	102,781	68,497	
Income (loss) from continuing operations before income taxes deferrable capital securities, and minority interest	(2,547)	4,617	
Income taxes	(891)	1,313	
Deferrable capital securities, net of tax	241	273	
Minority interest in subsidiary, net of tax	748	737	
Net operating earnings (loss) from continuing operations	(2,645)	2,294	
Securities litigation settlement charge, net of tax	3,250	-	
Realized gains (losses), net of tax and minority interest	(2,569)	(170)	
Net income (loss) from continuing operations	(1,964)	2,124	
Loss from discontinued operations, net of tax	-	(4,570)	
Extraordinary gain on debt extinguishments, net of tax	-	-	
Net income (loss)	(1,964)	(2,446)	
Gain on redemption of preferred securities	1,404	9,190	

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Preferred stock dividend	-	(1,272)
	-----	-----
Income (loss) available to common shareholders	\$ (560)	\$ 5,472
	=====	=====
Weighted average diluted shares outstanding	31,985	24,256
Net operating earnings (loss) from continuing operations per share	(0.08)	\$ 0.09
Realized gains (losses) per share	\$ (0.08)	\$ (0.01)
Net income (loss) from continuing operations per share	\$ (0.06)	\$ 0.09
Income (loss) available to common shareholders per share	\$ (0.02)	\$ 0.28

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

	December 31, 2001

Assets:	
Invested assets	\$ 1,038,353
Cash	24,206
Other assets	780,577

Total assets	\$ 1,843,136
	=====
Liabilities:	
Future policy benefits	\$ 691,462
Losses and loss adjustment expenses	282,311
Unearned premiums	172,966
Debt	109,396
Other liabilities	304,444

Total liabilities	1,560,579
Deferrable capital securities	23,250
Stockholders' equity	259,307

Total liabilities and stockholders' equity	\$ 1,843,136
	=====
Book value per share	\$ 7.34
Book value per share excluding unrealized investment gains and losses	\$ 7.12
Shares Outstanding at period end*	35,323

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* Excludes shares in the Vesta Agents Stock Incentive Plan Trust
