

ALFA CORP
Form 10-Q
May 10, 2002
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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For Quarter Ended March 31, 2002 Commission File Number 0-11773

ALFA CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State of Other Jurisdiction of
Incorporation or Organization)

063-0838024
(IRS Employer
Identification No.)

2108 East South Boulevard, Montgomery, Alabama 36116
(Mail: P. O Box 11000, Montgomery, Alabama 36191-0001)
(Address and Zip Code of Principal Executive Offices)

Registrant's Telephone Number
Including Area Code

(334) 288-3900

None

Former name, former address and former fiscal year if changed since last report

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 ☐

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the close of the period covered by this report.

Class	Outstanding March 31, 2002
Common Stock, \$1.00 par value	39,304,678 shares

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ALFA CORPORATION
CONSOLIDATED BALANCE SHEETS

	March 31, 2002	December 31, 2001
	(Unaudited)	
Assets		
Investments:		
Fixed Maturities Held for Investment, at amortized cost (fair value \$446,211 in 2002 and \$477,422 in 2001)	\$ 415,381	\$ 441,740
Fixed Maturities Available for Sale, at fair value (amortized cost \$971,839,119 in 2002 and \$932,488,619 in 2001)	988,165,179	960,415,249
Equity Securities, at fair value (cost \$58,858,320 in 2002 and \$46,889,245 in 2001)	84,629,117	74,664,030
Mortgage Loans on Real Estate	87,770	109,556
Investment Real Estate (net of accumulated depreciation of \$1,477,900 in 2002 and \$1,444,946 in 2001)	2,690,744	2,712,165
Policy Loans	50,552,96	349,945,528
Collateral Loans	100,467,321	88,561,085
Other Long-term Investments	162,763,250	164,056,234
Short-term Investments	119,190,992	150,255,275
	1,508,962,717	1,491,160,862
Cash	7,430,190	10,224,827
Accrued Investment Income	15,231,529	14,140,097
Accounts Receivable	19,244,782	19,843,577
Reinsurance Balances Receivable	2,286,396	3,166,591
Due from Affiliates	2,828,036	2,670,993
Deferred Policy Acquisition Costs	157,477,669	149,820,302
Other Assets	10,803,429	6,577,215
	\$ 1,724,264,748	\$ 1,697,604,464
Liabilities		
Policy Liabilities and Accruals Property and Casualty Insurance	\$ 146,102,787	\$ 140,174,162
Policy Liabilities and Accruals Life Insurance	583,787,093	558,043,631
Unearned Premiums	143,994,905	138,384,495
Dividends to Policyholders	10,177,588	10,195,930
Premium Deposit and Retirement Deposit Funds	5,798,328	5,472,522
Deferred Income Taxes	37,467,755	41,312,681
Other Liabilities	67,586,530	76,295,259
Due to Affiliates	16,248,594	16,146,574
Commercial Paper	170,939,267	165,415,905
Notes Payable		
Notes Payable to Affiliates	25,353,578	37,051,467
	1,207,456,425	1,188,492,626
Commitments and Contingencies		
Stockholders' Equity		
Preferred Stock, \$1 par value		
Shares authorized: 1,000,000		
Issued: None		
Common Stock, \$1 par value		
Shares authorized: 110,000,000		
Outstanding: 2002 39,304,678; 2001 39,179,678	41,891,512	41,891,512
Capital in Excess of Par Value	28,239,721	26,436,168
Accumulated Other Comprehensive Income	26,647,7453	3,996,936
Retained Earnings	458,804,369	446,032,558
Treasury Stock: at cost (2002 2,586,834 shares; 2001 2,711,834 shares)	(38,775,024)	(39,245,336)
	516,808,323	509,111,838
Total Stockholders' Equity	516,808,323	509,111,838

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Total Liabilities and Stockholders' Equity	\$ 1,724,264,748	\$ 1,697,604,464
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The accompanying notes are an integral part of these consolidated financial statements.

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ALFA CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31,	
	2002	2001
Revenues		
Premiums Property and Casualty Insurance	\$ 103,390,965	\$ 96,905,178
Premiums and Policy Charges Life Insurance	16,110,029	14,998,976
Net Investment Income	22,112,835	19,162,723
Realized Investment Gains (Losses)	906,225	1,046,285
Other Income	207,086	818,744
Total Revenues	142,727,140	132,931,906
Benefits and Expenses		
Benefits & Settlement Expenses	82,193,034	79,826,991
Dividends to Policyholders	987,954	1,000,740
Amortization of Deferred Policy Acquisition Costs	18,517,356	18,242,217
Other Operating Expenses	15,865,463	13,634,631
Total Expenses	117,563,807	112,704,579
Income Before Provision for Income Taxes	25,163,333	20,227,327
Provision for Income Taxes	6,695,186	5,634,870
Net Income Before Cumulative Effect of Change in Accounting Principle, Net of Tax Benefit	18,468,147	14,592,457
Cumulative Effect of Change in Accounting Principle, Net of Income Tax Benefit of \$139,344 in 2001	0	(258,781)
Net Income	\$ 18,468,147	\$ 14,333,676
Operating Income	\$ 17,879,100	\$ 13,912,372
Earnings Per Share:		
Operating Income		
Basic	\$ 0.46	\$ 0.36
Diluted	\$ 0.45	\$ 0.35
Net Income Before Cumulative Effect of Change in Accounting Principle, Net of Tax Benefit		
Basic	\$ 0.47	\$ 0.37
Diluted	\$ 0.47	\$ 0.37
Cumulative Effect of Change in Accounting Principle, Net of Tax Benefit		
Basic	\$ 0.00	\$ (0.01)
Diluted	\$ 0.00	\$ (0.01)
Net Income		
Basic	\$ 0.47	\$ 0.37
Diluted	\$ 0.47	\$ 0.36
Average Shares Outstanding		
Basic	39,220,472	39,153,707
Diluted	39,621,030	39,423,413

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The accompanying notes are an integral part of these consolidated financial statements.

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(Unaudited)

	Three Months Ended March 31,	
	2002	2001
Net Income	\$ 18,468,147	\$ 14,333,676
Other Comprehensive (Loss) Income, net of tax:		
Change in Fair Value of Securities Available for Sale	(6,760,145)	2,955,931
Less: Reclassification Adjustment for Realized Investment Gains (Losses)	589,046	680,085
Total Other Comprehensive (Loss) Income	(7,349,191)	2,275,846
Total Comprehensive Income	\$ 11,118,956	\$ 16,609,522

The accompanying notes are an integral part of these consolidated financial statements.

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ALFA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2002	2001
Cash Flows From Operating Activities:		
Net Income	\$ 18,468,147	\$ 14,333,676
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Policy Acquisition Costs Deferred	(23,869,124)	(22,337,943)
Amortization of Deferred Policy Acquisition Costs	18,517,356	18,242,217
Depreciation and Amortization	(438,856)	329,082
Provision for Deferred Taxes	992,884	871,102
Interest Credited on Policyholders' Funds	6,040,025	5,368,687
Net Realized Investment Gains	(906,225)	(1,046,285)
Other	(548,870)	(210,768)
Changes in Operating Assets and Liabilities:		
Accrued Investment Income	(1,091,432)	(1,515,404)
Accounts Receivable	598,795	3,201,665
Reinsurance Balances Receivable	880,195	424,043
Due from Affiliates	(55,023)	(1,772,759)
Other Assets	(4,226,214)	386,924
Liability for Policy Reserves		