

INFINITY PROPERTY & CASUALTY CORP

Form 10-Q

August 04, 2011

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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 June 30, 2011

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 No. 0-50167

INFINITY PROPERTY AND CASUALTY
CORPORATION

(Exact name of registrant as specified in its charter)

Incorporated under

the Laws of Ohio
(State or other jurisdiction of

03-0483872
(I.R.S. Employer

incorporation or organization)

Identification No.)

3700 Colonnade Parkway, Suite 600, Birmingham, Alabama 35243

(Address of principal executive offices and zip code)

(205) 870-4000

(Registrant's telephone number, including area code)

Not Applicable

(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 and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by rule 12b-2 of the Exchange Act). Yes No

As of July 29, 2011 there were 12,223,561 shares of the registrant's common stock outstanding.

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| Exhibit 31.2 | <u>Certification of the Chief Financial Officer under Exchange Act Rule 13a-14(a)</u> |
| Exhibit 32 | <u>Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.</u> |
| Exhibit 101 | <u>XBRL Instance Document</u> |

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(in thousands, except per share data)

(unaudited)

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|------------------|----------------|---------------------------|------------------|----------------|
| | 2011 | 2010 | % Change | 2011 | 2010 | % Change |
| Revenues: | | | | | | |
| Earned premium | \$ 251,584 | \$ 225,590 | 11.5% | \$ 490,565 | \$ 437,656 | 12.1% |
| Net investment income | 10,619 | 11,583 | (8.3)% | 20,951 | 22,878 | (8.4)% |
| Net realized gains (losses) on investments* | 1,959 | 44 | NM | 4,882 | (411) | NM |
| Other income | 48 | 98 | (51.0)% | 100 | 121 | (17.4)% |
| Total revenues | 264,209 | 237,315 | 11.3% | 516,498 | 460,244 | 12.2% |
| Costs and Expenses: | | | | | | |
| Losses and loss adjustment expenses | 192,453 | 153,281 | 25.6% | 371,410 | 299,923 | 23.8% |
| Commissions and other underwriting expenses | 57,454 | 53,864 | 6.7% | 112,566 | 102,018 | 10.3% |
| Interest expense | 2,702 | 2,700 | 0.1% | 5,403 | 5,401 | 0.0% |
| Corporate general and administrative expenses | 2,186 | 2,225 | (1.8)% | 3,924 | 4,097 | (4.2)% |
| Other expenses | 379 | 1,815 | (79.1)% | 399 | 2,547 | (84.3)% |
| Total costs and expenses | 255,175 | 213,885 | 19.3% | 493,702 | 413,986 | 19.3% |
| Earnings before income taxes | 9,035 | 23,430 | (61.4)% | 22,795 | 46,258 | (50.7)% |
| Provision for income taxes | 1,423 | 7,152 | (80.1)% | 4,204 | 14,358 | (70.7)% |
| Net Earnings | \$ 7,611 | \$ 16,278 | (53.2)% | \$ 18,592 | \$ 31,900 | (41.7)% |
| Earnings per Common Share: | | | | | | |
| Basic | \$ 0.62 | \$ 1.25 | (50.4)% | \$ 1.51 | \$ 2.42 | (37.6)% |
| Diluted | 0.61 | 1.22 | (50.0)% | 1.48 | 2.37 | (37.6)% |
| Average Number of Common Shares: | | | | | | |
| Basic | 12,280 | 13,054 | (5.9)% | 12,312 | 13,186 | (6.6)% |
| Diluted | 12,541 | 13,347 | (6.0)% | 12,596 | 13,484 | (6.6)% |
| Cash Dividends per Common Share | \$ 0.18 | \$ 0.14 | 28.6% | \$ 0.36 | \$ 0.28 | 28.6% |

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| | | | | | | |
|--|----------|--------|---------|----------|----------|---------|
| * Net realized gains before impairment losses | \$ 2,181 | \$ 311 | 601.3% | \$ 5,728 | \$ 1,389 | 312.4% |
| Total other-than-temporary impairment (OTTI) losses | (71) | (43) | 65.1% | (1,679) | (142) | NM |
| Non-credit portion in other comprehensive income | 0 | 0 | 0.0% | 1,017 | 0 | 0.0% |
| OTTI losses reclassified from other comprehensive income | (151) | (224) | (32.6)% | (184) | (1,659) | (88.9)% |
| Net impairment losses recognized in earnings | (222) | (267) | (16.9)% | (846) | (1,800) | (53.0)% |
| Total net realized gains (losses) on investments | \$ 1,959 | \$ 44 | NM | \$ 4,882 | \$ (411) | NM |

NM = Not meaningful

See Condensed Notes to Consolidated Financial Statements.

Table of Contents**INFINITY PROPERTY AND CASUALTY CORPORATION 10-Q****INFINITY PROPERTY AND CASUALTY CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

| | June 30, 2011 (unaudited) | December 31, 2010 |
|--|------------------------------|-------------------|
| Assets | | |
| Investments: | | |
| Fixed maturities at fair value (amortized cost \$1,157,232 and \$1,153,802) | \$ 1,190,486 | \$ 1,177,718 |
| Equity securities at fair value (cost \$24,299 and \$29,333) | 36,807 | 42,301 |
| Total investments | \$ 1,227,293 | \$ 1,220,019 |
| Cash and cash equivalents | 36,455 | 63,605 |
| Accrued investment income | 11,218 | 12,033 |
| Agents balances and premium receivable, net of allowances for doubtful accounts of \$12,242 and \$12,323 | 374,772 | 336,676 |
| Property and equipment, net of accumulated depreciation of \$42,006 and \$43,731 | 38,280 | 25,132 |
| Prepaid reinsurance premium | 2,249 | 1,890 |
| Recoverables from reinsurers (includes \$160 and \$289 on paid losses and LAE) | 15,040 | 16,809 |
| Deferred policy acquisition costs | 90,514 | 79,398 |
| Current and deferred income taxes | 17,515 | 14,867 |
| Receivable for securities sold | 923 | 0 |
| Other assets | 10,060 | 6,653 |
| Goodwill | 75,275 | 75,275 |
| Total assets | \$ 1,899,594 | \$ 1,852,357 |
| Liabilities and Shareholders Equity | | |
| Liabilities: | | |
| Unpaid losses and loss adjustment expenses | \$ 483,108 | \$ 477,833 |
| Unearned premium | 466,332 | 417,371 |
| Payable to reinsurers | 0 | 42 |
| Long-term debt (fair value \$210,280 and \$199,132) | 194,769 | 194,729 |
| Commissions payable | 21,292 | 18,960 |
| Payable for securities purchased | | |