

INFINITY PROPERTY & CASUALTY CORP  
Form 10-Q  
November 08, 2005  
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## **SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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### **FORM 10-Q**

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**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the Quarterly Period Ended September 30, 2005**

**Commission File No. 0-50167**

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## **INFINITY PROPERTY AND CASUALTY CORPORATION**

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**Incorporated under  
the Laws of Ohio**

**IRS Employer Identification  
Number 03-0483872**

**3700 Colonnade Parkway, Birmingham, Alabama 35243**

**(205) 870-4000**

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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

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Indicate by check mark whether the Registrant is an accelerated filer. Yes  No

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

As of November 1, 2005, there were 20,687,032 shares of the Registrant's Common Stock outstanding.

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## INFINITY PROPERTY AND CASUALTY CORPORATION 10-Q

## PART I

## FINANCIAL INFORMATION

## ITEM 1

## Financial Statements

## INFINITY PROPERTY AND CASUALTY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)

(unaudited)

	Three months ended			Nine months ended		
	September 30,			September 30,		
	2005	2004	% Change	2005	2004	% Change
<b>Revenues:</b>						
Earned premiums	\$ 243,915	\$ 220,549	10.6%	\$ 722,684	\$ 649,642	11.2%
Net investment income	16,157	16,071	0.5%	48,891	49,162	(0.6)%
Realized gains on investments	1,791	2,805	(36.1)%	22,303	5,851	281.2%
Other income	919	1,067	(13.9)%	3,078	4,408	(30.2)%
<b>Total revenues</b>	<b>262,782</b>	<b>240,492</b>	<b>9.3%</b>	<b>796,956</b>	<b>709,063</b>	<b>12.4%</b>
<b>Costs and Expenses:</b>						
Losses and loss adjustment expenses	168,383	151,563	11.1%	500,887	449,760	11.4%
Commissions and other underwriting expenses	54,332	47,037	15.5%	155,434	134,389	15.7%
Interest expense	2,765	2,888	(4.3)%	8,295	7,962	4.2%
Corporate general and administrative expenses	1,847	1,529	20.8%	5,089	4,764	6.8%
Loss on retirement of long-term debt					3,436	(100.0)%
Other expenses	6,601	6,250	5.6%	26,126	14,941	74.9%
<b>Total expenses</b>	<b>233,928</b>	<b>209,267</b>	<b>11.8%</b>	<b>695,830</b>	<b>615,252</b>	<b>13.1%</b>
Earnings before income taxes	28,854	31,225	(7.6)%	101,126	93,811	7.8%
Provision for income taxes	2,173	8,272	(73.7)%	26,773	29,096	(8.0)%
<b>Net Earnings</b>	<b>\$ 26,681</b>	<b>\$ 22,953</b>	<b>16.2%</b>	<b>\$ 74,353</b>	<b>\$ 64,715</b>	<b>14.9%</b>

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<b>Earnings per Common Share:</b>						
Basic	\$ 1.29	\$ 1.12	15.2%	\$ 3.60	\$ 3.15	14.3%
Diluted	\$ 1.28	\$ 1.10	16.4%	\$ 3.56	\$ 3.10	14.8%
Average number of Common Shares:						
Basic	20,642	20,567	0.4%	20,632	20,555	0.4%
Diluted	20,889	20,841	0.2%	20,882	20,855	0.1%
Cash dividends per Common Share	\$ .060	\$ .055	9.1%	\$ 0.180	\$ 0.165	9.1%

See 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)**

	September 30,	December 31,
	2005	2004
	<u>(unaudited)</u>	<u></u>
<b>Assets</b>		
Investments		
Fixed maturities - at market (amortized cost - \$1,297,326 and \$1,260,836)	\$ 1,298,959	\$ 1,304,080
Equity securities - at market (amortized cost - \$56,119 and \$21,529)	55,992	24,993
	<u>1,354,951</u>	<u>1,329,073</u>
Total investments	1,354,951	1,329,073
Cash and cash equivalents	87,900	112,052
Accrued investment income	14,719	16,732
Agents' balances and premiums receivable, net of allowances for doubtful accounts of \$11,838 and \$11,524	295,202	264,978
Prepaid reinsurance premiums	11,047	12,858
Recoverables from reinsurers	22,389	20,202
Deferred policy acquisition costs	76,083	68,454
Current and deferred income taxes	26,496	12,656
Prepaid expenses, deferred charges and other assets	21,840	32,658
Goodwill	75,275	75,275
	<u>1,985,902</u>	<u>1,944,938</u>
Total assets	\$ 1,985,902	\$ 1,944,938
<b>Liabilities and Shareholders' Equity</b>		
Unpaid losses and loss adjustment expenses	\$ 640,358	\$ 659,272
Unearned premiums	423,044	387,917
Payable to reinsurers	4,525	3,953
Long term debt (fair value - \$194,042 at September 30, 2005 and \$198,010 at December 31, 2004)	199,350	199,305
Commissions payable	29,603	25,257
Accounts payable, accrued expenses and other liabilities	99,982	121,813
	<u>1,396,862</u>	<u>1,397,517</u>
Total liabilities	1,396,862	1,397,517
Shareholders' Equity:		
Common stock, no par value		
-50,000,000 shares authorized		
-20,719,999 and 20,670,878 shares issued	20,720	20,671
Additional paid-in capital	331,235	329,994
Retained earnings	237,336	166,710
Unearned compensation (restricted stock)	(90)	(314)
Unrealized gain, net	977	30,360
Treasury stock, at cost (34,014 and 0 shares)	(1,138)	
	<u></u>	<u></u>

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Total shareholders' equity	589,040	547,421
Total liabilities and shareholders' equity	\$ 1,985,902	\$ 1,944,938

See Notes to Consolidated Financial Statements

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## INFINITY PROPERTY AND CASUALTY CORPORATION 10-Q

## INFINITY PROPERTY AND CASUALTY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(In thousands)

(unaudited)

	Common Stock	Paid-in Capital	Retained Earnings	Unearned Compensation	Unrealized Gain (Loss) on Securities	Treasury Stock	Total
<b>Balance at December 31, 2003</b>	\$ 20,484	\$ 324,787	\$ 74,856	\$ (1,000)	\$ 36,243	\$	\$ 455,370
Net earnings			64,715				64,715
Change in unrealized gain-investments					(3,799)		(3,799)
Change in unrealized gain-derivative					(215)		(215)
Comprehensive income							60,701
Dividends paid to common stockholders			(3,408)				(3,408)
Issuance of common stock	171	4,685					4,856
Amortization of unearned compensation				537			537
Exercise of stock options	2	38					40