

UNITRIN INC
Form 10-Q
August 04, 2008
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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 Quarterly Period Ended June 30, 2008

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 number 0-18298

Unitrin, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

95-4255452
(I.R.S. Employer
Identification No.)

One East Wacker Drive, Chicago, Illinois
(Address of principal executive offices)

60601
(Zip Code)

(312) 661-4600

(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 (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 by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

62,767,014 shares of common stock, \$0.10 par value, were outstanding as of July 31, 2008.

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Table of Contents**UNITRIN, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Dollars in millions, except per share amounts)

(Unaudited)

	Six Months Ended		Three Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Revenues:				
Earned Premiums	\$ 1,172.2	\$ 1,132.7	\$ 596.3	\$ 570.2
Automobile Finance Revenues	125.5	127.9	62.1	64.9
Net Investment Income	118.1	158.8	62.2	80.2
Other Income	1.4	2.2	0.9	1.2
Net Realized Investment Gains	11.2	39.5	5.0	17.0
Total Revenues	1,428.4	1,461.1	726.5	733.5
Expenses:				
Policyholders Benefits and Incurred Losses and Loss Adjustment Expenses	858.9	784.4	448.2	397.2
Insurance Expenses	355.1	345.8	182.8	174.2
Automobile Finance Expenses	123.5	85.8	69.6	43.7
Interest Expense on Certificates of Deposit	30.7	27.8	15.0	14.2
Interest and Other Expenses	31.7	36.1	15.0	20.0
Total Expenses	1,399.9	1,279.9	730.6	649.3
Income (Loss) before Income Taxes and Equity in Net Income (Loss) of Investee	28.5	181.2	(4.1)	84.2
Income Tax Benefit (Expense)	(0.1)	(54.9)	7.5	(24.9)
Income before Equity in Net Income (Loss) of Investee	28.4	126.3	3.4	59.3
Equity in Net Income (Loss) of Investee	3.3	(0.2)	1.1	(0.6)
Income from Continuing Operations	31.7	126.1	4.5	58.7
Discontinued Operations:				
Income (Loss) from Discontinued Operations (Including Gain of \$8.1 on Disposal in 2008 - See Notes 1 and 3)	(12.8)	9.5	(3.9)	3.7
Income Tax Benefit (Expense)	0.7	(1.0)	(3.5)	(0.2)
Income (Loss) from Discontinued Operations	(12.1)	8.5	(7.4)	3.5
Net Income (Loss)	\$ 19.6	\$ 134.6	\$ (2.9)	\$ 62.2
Income Per Share from Continuing Operations	\$ 0.50	\$ 1.90	\$ 0.07	\$ 0.89
Income (Loss) Per Share from Discontinued Operations	(0.19)	0.13	(0.12)	0.05
Net Income (Loss) Per Share	\$ 0.31	\$ 2.03	\$ (0.05)	\$ 0.94

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Income Per Share from Continuing Operations Assuming Dilution	\$ 0.50	\$ 1.88	\$ 0.07	\$ 0.89
Income (Loss) Per Share from Discontinued Operations Assuming Dilution	(0.19)	0.13	(0.12)	0.05
Net Income (Loss) Per Share Assuming Dilution	\$ 0.31	\$ 2.01	\$ (0.05)	\$ 0.94
Dividends Paid Per Share	\$ 0.940	\$ 0.910	\$ 0.470	\$ 0.455

The Notes to the Condensed Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents**UNITRIN, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Dollars in millions, except per share amounts)**

	June 30, 2008 (Unaudited)	December 31, 2007
Assets:		
Investments:		
Fixed Maturities at Fair Value (Amortized Cost: 2008 - \$3,950.5; 2007 - \$3,608.9)	\$ 3,949.6	\$ 3,686.7
Northrop Grumman Corporation Preferred Stock at Fair Value (Cost: 2007 - \$177.5)		258.5
Northrop Grumman Corporation Common Stock at Fair Value (Cost: 2008 - \$403.0; 2007 - \$245.5)	570.2	447.5
Other Equity Securities at Fair Value (Cost: 2008 - \$485.6; 2007 - \$436.5)	589.0	597.6
Investee (Intermec) at Cost Plus Cumulative Undistributed Earnings (Fair Value: 2008 - \$266.8; 2007 - \$257.1)	101.1	90.7
Short-term Investments at Cost which Approximates Fair Value	564.7	658.7
Other	743.5	706.7
Total Investments	6,518.1	6,446.4
Cash	62.1	103.1
Automobile Loan Receivables at Cost (Fair Value: 2008 - \$1,213.6; 2007 - \$1,230.3)	1,193.1	1,213.5
Other Receivables	682.3	634.8
Deferred Policy Acquisition Costs	498.4	437.4
Goodwill	344.0	314.7
Current and Deferred Income Taxes	28.5	17.2
Other Assets	107.3	109.9
Assets of Discontinued Operations		128.0
Total Assets	\$ 9,433.8	\$ 9,405.0
Liabilities and Shareholders' Equity:		
Insurance Reserves:		
Life and Health	\$ 2,960.0	\$ 2,533.0
Property and Casualty	1,315.2	1,322.9
Total Insurance Reserves	4,275.2	3,855.9
Certificates of Deposits at Cost (Fair Value: 2008 - \$1,221.2; 2007 - \$1,269.7)	1,202.4	1,274.3
Unearned Premiums	743.0	722.2
Liabilities for Income Taxes	113.4	262.5
Notes Payable at Amortized Cost (Fair Value: 2008 \$597.3; 2007 \$550.3)	633.4	560.1
Accrued Expenses and Other Liabilities	421.4	380.9
Liabilities of Discontinued Operations		51.3
Total Liabilities	7,388.8	7,107.2
Shareholders' Equity:		
Common Stock, \$0.10 par value, 100 million Shares Authorized; 62,767,014 Shares Issued and Outstanding at June 30, 2008 and 64,254,818 Shares Issued and Outstanding at December 31, 2007	6.3	6.4
Paid-in Capital	768.3	781.3
Retained Earnings	1,107.1	1,185.3

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Accumulated Other Comprehensive Income	163.3	324.8
Total Shareholders' Equity	2,045.0	2,297.8
Total Liabilities and Shareholders' Equity	\$ 9,433.8	\$ 9,405.0

The Notes to the Condensed Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents**UNITRIN, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Dollars in millions)****(Unaudited)**

	Six Months Ended	
	June 30,	June 30,
	2008	2007
Operating Activities:		
Net Income	\$ 19.6	\$ 134.6
Adjustments to Reconcile Net Income to Net Cash		
Provided (Used) by Operating Activities:		
Increase in Deferred Policy Acquisition Costs	(9.2)	(10.0)
Equity in Net (Income) Loss of Investee before Taxes	(5.0)	0.3
Equity in Losses (Earnings) of Limited Liability Investment Companies and Limited Partnerships	29.3	(12.4)
Distribution of Accumulated Earnings of Limited Liability Investment Companies and Limited Partnerships	0.9	13.0
Amortization of Investment Securities and Depreciation of Investment Real Estate	5.3	3.2
Provision for Loan Losses	73.2	34.0
Depreciation of Property and Equipment	9.9	10.2
Decrease in Other Receivables	14.3	33.6
Increase (Decrease) in Insurance Reserves	15.6	(38.3)
Increase (Decrease) in Unearned Premiums	(30.2)	4.2
Increase (Decrease) in Liabilities for Income Taxes	(65.6)	2.6
Increase in Accrued Expenses and Other Liabilities	7.8	3.3
Net Realized Investment Gains	(11.2)	(39.5)
Gain on Disposition of Business	(8.1)	
Other, Net	17.2	17.5
 Net Cash Provided by Operating Activities	 63.8	 156.3
Investing Activities:		
Sales and Maturities of Fixed Maturities	710.6	249.9
Purchases of Fixed Maturities	(657.1)	(200.5)
Sales of Northrop Grumman Corporation Common Stock	32.2	63.8
Sales of Other Equity Securities	111.3	50.9
Purchases of Other Equity Securities	(145.0)	(45.5)
Acquisition and Improvements of Investment Real Estate	(15.6)	(5.7)
Sale of Investment Real Estate	3.2	