

INFINITY PROPERTY & CASUALTY CORP

Form 10-Q

May 08, 2009

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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 March 31, 2009

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, 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 a 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 April 30, 2009, there were 13,712,797 shares of the registrant's common stock outstanding.

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**EXHIBIT INDEX**

Exhibit 31.1	<u>Certification of the Chief Executive Officer Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002</u>
Exhibit 31.2	<u>Certification of the Chief Financial Officer Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002</u>
Exhibit 32	<u>Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>

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	<b>Three months ended March 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>Change</b>
<b>Revenues:</b>			
Earned premium	\$ 214,667	\$ 235,064	(8.7)%
Net investment income	13,644	15,324	(11.0)%
Realized losses on investments	(6,127)	(1,381)	343.6%
Other income	48	191	(74.9)%
Total revenues	222,233	249,198	(10.8)%
<b>Costs and expenses:</b>			
Losses and loss adjustment expenses	151,269	169,521	(10.8)%
Commissions and other underwriting expenses	47,100	52,511	(10.3)%
Interest expense	2,768	2,767	0.0%
Corporate general and administrative expenses	1,671	1,902	(12.1)%
Restructuring charges	10	334	(97.0)%
Other expenses	628	1,423	(55.9)%
Total costs and expenses	203,446	228,458	(10.9)%
Earnings before income taxes	18,787	20,740	(9.4)%
Provision for income taxes	7,964	6,739	18.2%
<b>Net earnings</b>	<b>\$ 10,823</b>	<b>\$ 14,001</b>	<b>(22.7)%</b>
<b>Earnings per common share:</b>			
Basic	\$ 0.77	\$ 0.87	(11.5)%
Diluted	0.76	0.86	(11.6)%
<b>Average number of common shares:</b>			
Basic	13,976	16,129	(13.4)%
Diluted	14,185	16,348	(13.2)%

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<b>Cash dividends per common share</b>	\$	0.12	\$	0.11	9.1%
<b>See Notes to Consolidated Financial Statements.</b>					

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	<b>March 31, 2009 (unaudited)</b>	<b>December 31, 2008</b>
<b>Assets</b>		
Investments:		
Fixed maturities - at fair value (amortized cost \$1,039,618 and \$1,024,121)	\$ 1,061,347	\$ 1,032,237
Equity securities - at fair value (amortized cost \$31,274 and \$31,157)	27,651	31,157
Total investments	1,088,998	1,063,394
Cash and cash equivalents	93,726	109,274
Accrued investment income	10,533	11,028
Agents' balances and premium receivable, net of allowances for doubtful accounts of \$11,053 and \$11,652	313,625	300,751
Property, plant and equipment, net of accumulated depreciation of \$52,402 and \$49,989	32,366	33,342
Prepaid reinsurance premium	1,953	1,661
Recoverables from reinsurers (includes \$468 and \$2,898 on paid losses and loss adjustment expenses)	19,930	23,413
Deferred policy acquisition costs	73,377	70,101
Current and deferred income taxes	8,405	20,920
Prepaid expenses, deferred charges and other assets	11,716	14,779
Goodwill	75,275	75,275
Total assets	\$ 1,729,904	\$ 1,723,938
<b>Liabilities and shareholders' equity</b>		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 531,120	544,756
Unearned premium	397,814	380,425
Payable to reinsurers	280	954
Long-term debt (fair value \$178,781 and \$179,063)	199,586	199,567
Commissions payable	24,217	22,568
Payable for securities purchased	1,182	293
Accounts payable, accrued expenses and other liabilities	46,067	50,042
Total liabilities	1,200,266	1,198,607
Commitments and contingencies (See Note 10)		
Shareholders' equity:		
Common stock, no par value 50,000,000 shares authorized 21,042,890 and 21,041,444 shares issued	21,009	20,999
Additional paid-in capital	342,254	341,889
Retained earnings	448,186	439,051
Accumulated other comprehensive income, net of tax	11,187	5,987
Treasury stock, at cost (7,189,162 and 6,895,262 shares)	(292,998)	(282,594)
Total shareholders' equity	529,638	525,331

Total liabilities and shareholders' equity	\$ 1,729,904	\$ 1,723,938
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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	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), net of tax	Treasury Stock	Total
<b>Balance at December 31, 2007</b>	\$ 20,942	\$ 340,195	\$ 426,638	\$ 8,353	\$ (194,904)	\$ 601,224
Net earnings	\$	\$	\$ 14,001	\$	\$	\$ 14,001
Net change in post-retirement benefit liability, net of tax				(16)		(16)
Change in unrealized gain on investments, net of tax				(1,335)		(1,335)
Comprehensive income						\$ 12,650
Dividends paid to common shareholders			(1,783)			(1,783)
Employee stock purchases, including tax benefit	2	72				74
Exercise of stock options, including tax benefit	3	51				54
Share-based compensation expense options		122				122
Share-based compensation expense restricted stock	5	194				199
<b>Balance at March 31, 2008</b>	\$ 20,952	\$ 340,634	\$ 438,856	\$ 7,002	\$ (194,904)	\$ 612,540
Net earnings	\$	\$	\$ 5,256	\$	\$	\$ 5,256
Net change in post-retirement benefit liability, net of tax				209		209
Change in unrealized gain on investments, net of tax				(1,223)		(1,223)
Comprehensive income						\$ 4,242
Dividends paid to common shareholders			(5,028)			(5,028)
Employee stock purchases, including tax benefit	5	177				182
Exercise of stock options, including tax benefit	17	482				499
Share-based compensation expense options		334				334
Share-based compensation expense restricted stock	13	583				596