

AMERUS GROUP CO/IA  
Form 10-Q  
May 15, 2003

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

**FORM 10-Q**

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(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, 2003

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 000-30898**

**AMERUS GROUP CO.**

(Exact name of Registrant as specified in its charter)

IOWA  
(State or other jurisdiction of  
incorporation or organization)

42-1458424  
(I.R.S. Employer  
Identification No.)

**699 Walnut Street**  
**Des Moines, Iowa 50309-3948**  
(Address of principal executive offices)

Registrant's telephone number, including area code (515) 362-3600

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of each of the Registrant's classes of common stock on May 5, 2003 was as follows:

Common Stock        39,077,142 shares



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**SAFE HARBOR STATEMENT**

All statements, trend analyses and other information contained in this report relative to markets for our products and trends in our operations or financial results, as well as other statements including words such as anticipate, believe, plan, estimate, expect, intend, and other similar expressions, constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. Factors that may cause our actual results to differ materially from those contemplated by these forward-looking statements include, among others, the following possibilities:

(a) general economic conditions and other factors, including prevailing interest rate levels and stock and bond market performance, which may affect our ability to sell our products, the market value of our investments and the lapse rate and profitability of policies; (b) our ability to achieve anticipated levels of operational efficiencies and cost-saving initiatives and to meet cash requirements based upon projected liquidity sources; (c) customer response to new products, distribution channels and marketing initiatives; (d) mortality, morbidity, and other factors which may affect the profitability of our insurance products; (e) our ability to develop and maintain effective risk management policies and procedures and to maintain adequate reserves for future policy benefits and claims; (f) changes in the federal income tax and other federal laws, regulations, and interpretations, including currently proposed federal measures that may significantly affect the insurance business including limitations on antitrust immunity, minimum solvency requirements, and changes to the tax advantages of life insurance and annuity products or programs with which they are used; (g) increasing competition in the sale of insurance and annuities and the recruitment of sales representatives; (h) regulatory changes, interpretations or pronouncements, including those relating to the regulation of insurance companies and the regulation and sale of their products; (i) our ratings and those of our subsidiaries by independent rating organizations which we believe are particularly important to the sale of our products; (j) the performance of our investment portfolios; (k) the impact of changes in standards of accounting; (l) our ability to integrate the business and operations of acquired entities; (m) expected protection products and accumulation products margins; (n) the impact of anticipated investment transactions; and (o) unanticipated litigation or regulatory investigations or examinations.

There can be no assurance that other factors not currently anticipated by us will not materially and adversely affect our results of operations. You are cautioned not to place undue reliance on any forward-looking statements made by us or on our behalf. Forward-looking statements speak only as of the date the statement was made. We undertake no obligation to update or revise any forward-looking statement.

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**AMERUS GROUP CO.**  
**CONSOLIDATED BALANCE SHEETS**  
(\$ in thousands)

	<b>March 31, 2003</b>	<b>December 31, 2002</b>
	<b>(unaudited)</b>	
<b>Assets</b>		
<b>Investments:</b>		
<b>Securities available-for-sale at fair value:</b>		
Fixed maturity securities	\$ 13,432,473	\$ 13,328,902
Equity securities	64,042	63,345
Short-term investments	20,741	32,318
<b>Securities held for trading purposes at fair value:</b>		
Fixed maturity securities	1,760,274	1,843,868
Mortgage loans	888,323	883,034
Real estate	475	476
Policy loans	493,086	496,753
Other investments	430,359	283,794
	17,089,773	16,932,490
Cash and cash equivalents	921,054	102,612
Accrued investment income	187,672	185,660
Premiums, fees and other receivables	43,252	13,082
Reinsurance receivables	1,004,194	865,930
Deferred policy acquisition costs	871,646	884,239
Value of business acquired	450,210	454,159
Goodwill	224,075	218,995
Property and equipment	73,908	74,188
Other assets	309,371	326,397
Separate account assets	219,801	235,913
	\$ 21,394,956	\$ 20,293,665
<b>Total assets</b>		

See accompanying notes to consolidated financial statements.

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**AMERUS GROUP CO.**  
**CONSOLIDATED BALANCE SHEETS**  
(\$ in thousands)

	<b>March 31, 2003</b>	<b>December 31, 2002</b>
	<u>                    </u>	<u>                    </u>
	<b>(unaudited)</b>	
Liabilities and Stockholders' Equity		
<b>Liabilities:</b>		
Policy reserves and policyowner funds:		
Future life and annuity policy benefits	\$ 16,453,162	\$ 16,244,016
Policyowner funds	1,483,713	1,335,144
	<u>                    </u>	<u>                    </u>
	17,936,875	17,579,160
Accrued expenses and other liabilities	942,819	283,836
Dividends payable to policyowners	327,054	303,062
Policy and contract claims	39,237	39,569
Income taxes payable	51,899	61,325
Deferred income taxes	32,812	16,499
Notes payable	533,593	511,353
Separate account liabilities	219,801	235,913
	<u>                    </u>	<u>                    </u>
Total liabilities	20,084,090	19,030,717
<b>Stockholders' equity:</b>		
Preferred Stock, no par value, 20,000,000 shares authorized, none issued		
Common Stock, no par value, 230,000,000 shares authorized; 43,695,889 shares issued and 39,051,187 shares outstanding in 2003; 43,656,280 shares issued and 39,011,578 shares outstanding in 2002	43,696	43,656
Additional paid-in capital	1,180,736	1,179,646
Accumulated other comprehensive income (loss)	99,886	88,522
Unearned compensation	(860)	(458)
Unallocated ESOP shares	(1,406)	(1,443)
Retained earnings	145,306	109,517
Treasury stock, at cost (4,644,702 shares in 2003 and 2002)	(156,492)	(156,492)
	<u>                    </u>	<u>                    </u>
Total stockholders' equity	1,310,866	1,262,948
	<u>                    </u>	<u>                    </u>
Total liabilities and stockholders' equity	\$ 21,394,956	\$ 20,293,665
	<u>                    </u>	<u>                    </u>

See accompanying notes to consolidated financial statements.



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**AMERUS GROUP CO.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(\$ in thousands, except share data)

	<b>For The Three Months Ended March 31,</b>	
	<b>2003</b>	<b>2002</b>
	<b>(unaudited)</b>	
<b>Revenues:</b>		
Insurance premiums	\$ 81,605	\$ 90,458
Universal life and annuity product charges	44,107	37,128
Net investment income	253,217	239,770
Realized/unrealized gains (losses) on investments	7,855	(24,712)
Other income	17,168	12,468
	<u>403,952</u>	<u>355,112</u>
<b>Benefits and expenses:</b>		
Policyowner benefits	218,055	206,163
Underwriting, acquisition and other expenses	37,719	36,251
Demutualization costs		285
Restructuring costs	3,193	1,795
Amortization of deferred policy acquisition costs and value of business acquired	50,397	39,842
Dividends to policyowners	34,574	28,403
	<u>343,938</u>	<u>312,739</u>
Income before interest and income tax expense	60,014	42,373
Interest expense	6,799	6,027
Income before income tax expense	53,215	36,346
Income tax expense	17,426	11,432
Net income	<u>\$ 35,789</u>	<u>\$ 24,914</u>
<b>Net income per common share:</b>		
Basic	<u>\$ 0.92</u>	<u>\$ 0.60</u>
Diluted	<u>\$ 0.91</u>	<u>\$ 0.59</u>
<b>Weighted average common shares outstanding:</b>		
Basic	<u>38,984,807</u>	<u>41,349,785</u>
Diluted	<u>39,217,951</u>	<u>41,968,570</u>

See accompanying notes to consolidated financial statements.

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**AMERUS GROUP CO.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(\$ in thousands)

	<b>For The Three Months Ended March 3</b>	
	<b>2003</b>	<b>2002</b>
	<b>(unaudited)</b>	
Net income	\$35,789	\$ 24,914
Other comprehensive income (loss), before tax:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during period	29,859	(59,584)
Less: Reclassification adjustment for gains (losses) included in net income	12,376	(3,764)
Other comprehensive income (loss), before tax	17,483	(55,820)
Income tax (expense) benefit related to items of other comprehensive income	(6,119)	19,537
	11,364	(36,283)
Comprehensive income (loss)	\$47,153	\$(11,369)

See accompanying notes to consolidated financial statements.

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**AMERUS GROUP CO.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**  
For the Three Months Ended March 31, 2003 and the Year Ended December 31, 2002  
(\$ in thousands)

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Unearned Compensation</u>
Balance at December 31, 2001	\$43,506	\$1,177,688	\$12,669	\$ (727)
2002:				
Net income				
Net unrealized gain (loss) on securities			73,646	
Net unrealized gain (loss) on derivatives designated as cash flow hedges			3,434	
Stock issued under various incentive plans, net of forfeitures	150	5,730		269
Stock issued under exercise of warrants		(3,802)		
Purchase of treasury stock				
Dividends declared on common stock				
Allocation of shares in leveraged ESOP		30		
Minimum pension liability adjustment			(1,227)	
	<u>43,656</u>	<u>1,179,646</u>	<u>88,522</u>	<u>(458)</u>
Balance at December 31, 2002	43,656	1,179,646	88,522	(458)
2003 (unaudited):				
Net income				
Net unrealized gain (loss) on securities			10,443	
Net unrealized gain (loss) on derivatives designated as cash flow hedges			921	
Stock issued under various incentive plans, net of forfeitures	40	1,090		(402)
Allocation of shares in leveraged ESOP				
	<u>43,696</u>	<u>1,180,736</u>	<u>99,886</u>	<u>(860)</u>
Balance at March 31, 2003	43,696	1,180,736	99,886	(860)

[Additional columns below]

[Continued from above table, first column(s) repeated]

	<u>Unallocated ESOP Shares</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Total Stockholders Equity</u>
Balance at December 31, 2001	\$ (224)	\$ 62,187	\$ (56,582)	\$1,238,517
2002:				
Net income		62,866		62,866
Net unrealized gain (loss) on securities				73,646
Net unrealized gain (loss) on derivatives designated as cash flow hedges				3,434
Stock issued under various incentive plans, net of forfeitures			1	6,150

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Stock issued under exercise of warrants			12,205	8,403
Purchase of treasury stock	(2,522)		(112,116)	(114,638)
Dividends declared on common stock		(15,536)		(15,536)
Allocation of shares in leveraged ESOP	1,303			1,333
Minimum pension liability adjustment				(1,227)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance at December 31, 2002	(1,443)	109,517	(156,492)	1,262,948
2003 (unaudited):				
Net income		35,789		35,789