

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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COTTON STATES LIFE INSURANCE CO /

CIK: **25118** | IRS No.: **580830929** | State of Incorporation: **GA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **002-39729** | Film No.: **95536197**
SIC: **6311** Life insurance

Mailing Address
P.O. BOX 15303
ATLANTA GA 30348

Business Address
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PKWY NE
ATLANTA GA 30346
4043918600

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Quarterly Report Under Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the quarter ended March 31, 1995
Commission File Number 2-39729

COTTON STATES LIFE INSURANCE COMPANY
(Exact name of registrant as specified in its charter)

GEORGIA
(State or other jurisdiction of
incorporation or organization)

58-0830929
(I.R.S. Employer Identification Number)

244 Perimeter Center Parkway, N. E., Atlanta, Georgia
(Address of principal executive offices)

30346
(Zip Code)

Registrant's telephone number, including area code (404) 391-8600

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 twelve months (or for such shorter period that
the Registrant was required to file such reports) and (2) has been subject
to the filing requirements for at least the past 90 days.

YES NO

The Registrant, as of March 31, 1995, has 2,711,149 shares of common stock
outstanding.

PART I - CONSOLIDATED FINANCIAL STATEMENTS

The following consolidated statements have been prepared by management. In

management's opinion, all adjustments and certain reclassifications necessary to a fair statement of the results for the three months ended March 31, 1995 and 1994 have been made.

COTTON STATES LIFE INSURANCE COMPANY
 Unaudited Consolidated Condensed Balance Sheets
 March 31, 1995 and December 31, 1994

ASSETS	1995	1994
Investments		
Fixed maturities, held for investment, at amortized cost (market value \$31,781,106 in 1995 and \$31,336,004 in 1994)	\$33,118,608	\$33,637,095
Fixed maturities, available for sale, at market (amortized cost \$40,366,559 in 1995 and \$46,039,255 in 1994)	39,797,454	44,450,362
First mortgage loans on real estate	5,740,695	5,916,625
Policy loans	6,486,960	6,543,751
Short-term investments	11,151,972	1,962,140
Total investments	96,295,689	92,509,973
Cash	1,803,811	2,173,651
Accrued investment income	1,286,389	1,439,721
Accounts receivable, principally premiums	3,000,673	3,007,599
Amount due from reinsurers	809,272	1,876,843
Deferred policy acquisition costs	22,562,019	21,953,463
Other assets	2,156,121	1,451,218
	\$127,913,974	\$124,412,468
LIABILITIES AND STOCKHOLDERS' EQUITY		
Policy liabilities and accruals:		
Future policy benefits	\$85,468,025	\$84,687,257
Policy and contract claims	1,652,017	1,453,553
Federal income taxes	2,037,102	1,459,221
Other liabilities	3,619,715	3,255,617
Total liabilities	92,776,859	90,855,648
Stockholders' Equity:		
Common Stock	2,882,220	2,882,220
Additional paid-in capital	1,295,865	1,295,922
Net unrealized (losses) on fixed maturities available for sale	(488,505)	(1,128,107)
Retained earnings	32,731,714	31,791,715
Less treasury stock, at cost, (170,971 shares in 1995 and 171,071 in 1994)	(1,284,179)	(1,284,930)

Total stockholders' equity	35,137,115	33,556,820
	\$127,913,974	\$124,412,468

COTTON STATES LIFE INSURANCE COMPANY
Unaudited Consolidated Summary of Earnings

	Three months ended	
	March 31,	
	1995	1994
Income:		
Premium income	\$1,906,915	\$2,058,010
Mortality and expense charges earned	1,746,509	1,698,331
Investment income	1,754,849	1,548,355
Realized investment gains (losses)	3,585	(39,755)
Brokerage and other income	310,801	192,048
 Total income	 5,722,659	 5,456,989
 Benefits and expenses:		
Life benefits and claims	1,952,435	1,807,868
A & H benefits and claims	647,440	958,428
Amortization of policy acquisition costs	343,253	341,184
Operating expenses	1,324,164	1,148,977
 Total benefits and expenses	 4,267,292	 4,256,457
 Earnings before income tax expense	 1,455,367	 1,200,532
Federal income taxes:		
Current tax expense	154,271	213,669
Deferred tax expense	252,650	59,093
Total Federal income taxes	406,921	272,762
 Net Earnings	 \$1,048,446	 \$927,770
 Earnings per share of common stock	 \$ 0.39	 \$ 0.36
 Weighted average number of shares used in computing earnings per share	 2,711,167	 2,590,925

COTTON STATES LIFE INSURANCE COMPANY
 Unaudited Consolidated Statements of Cash Flows
 Three months ended March 31, 1995 and 1994

	1995	1994
Cash flows from operating activities:		
Net Earnings	\$1,048,446	\$927,770
Adjustments to reconcile net earnings to net cash provided from operating activities:		
Increase in policy liabilities and accrual	979,232	1,317,035
Increase in deferred policy acquisition co	(608,556)	(520,426)
Change in Federal income taxes	123,440	(50,302)
Decrease (increase) in accounts receivable amounts due from reinsurers	1,074,497	(323,674)
Other, net	187,473	194,050
Net cash provided from operating activities	2,804,532	1,544,453
Cash flows from investing activities:		
Purchase of fixed maturities held for investment	0	(3,907,178)
Purchase of fixed maturities available for sale	(7,535,855)	0
Sale of fixed maturities available for sale	12,091,683	0
Proceeds from maturity and redemption of fixed maturities held for investment	510,728	525,094
Proceeds from maturity and redemption of fixed maturities available for sale	800,797	1,238,701
First mortgage loans originated	0	(439,500)
Principal collected on first mortgage loans	175,930	533,221
Policy Loans	56,791	(643)
Other, net	23,832	40,701
Net cash provided (used) in investing activities	6,123,906	(2,009,604)
Cash flows from financing activities:		
Notes payable principal reduction	0	(320,000)
Cash dividends paid	(108,446)	(77,728)
Net cash (used) by financing activities	(108,446)	(397,728)
Net increase (decrease) in cash and cash equivalenten	\$8,819,992	(\$862,879)
Cash and cash equivalentens:		
Beginning of period	4,135,791	3,451,941
End of period	\$12,955,783	\$2,589,062

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

There have been no material changes in the Company's financial condition since December 31, 1994. As reported in the Company's Annual Report to its stockholders for the year ended December 31, 1994, the Company does not anticipate the necessity of entering the debt or equity market in order to meet short-term or long-term obligations.

Mortgage Loans

The Company's mortgage loan policy stipulates that the Company will loan no more than 80% of the value of residential loans and no more than 75% of the value on commercial loans. For the past five years, the Company has granted loans only to employees (excluding officers and directors), agents, agent's relatives, employees of Gold Kist, Inc. (a related party) and current mortgagees.

The geographic distribution of the loan portfolio as of March 31, 1995 and December 31, 1994 is:

No. of Loans			Book Value	
03/31/95	12/31/94	State	03/31/95	12/31/94
7	7	Alabama	\$407,763	\$413,405
7	7	Florida	485,853	493,445
99	101	Georgia	4,847,079	5,009,775
113	115		\$5,740,695	\$5,916,625

The Company has a large concentration of loans in Georgia; however, only two loans for \$225,235 are past due more than three months. Because the loan-to-value ratio on these delinquent loans is 64%, the Company does not anticipate any loss should it choose to foreclose. The Company has foreclosed on only one loan since 1985 and incurred no loss on the sale of the underlying collateral.

Results of Operations

Premium Income

Premium income on ordinary life contracts was down 7% when compared to the first quarter of 1994. Traditional premium income is up 17% over the same quarter of 94 due to continued sale of the Company's new participating whole life policy, but is offset by a decrease in group A&H premiums of 28% which will continue to fluctuate as premiums are based on actual claims experience. The Company's only A&H plans cover employees and the Company's agents. No other group insurance is solicited. Individual A&H premiums will continue to fluctuate as this is a closed block of run-off business.

Mortality and expense charges earned

Universal Life contract deposits increased 13% over the year earlier quarter. Mortality and expense charges earned on these deposits increased

3%. The disproportionate increase in mortality and expense charges earned versus increase in deposits is due to leveling out of reinsurance credits classified against mortality and expense charges earned.

Investment Income

Investment income was up 13% over the year earlier quarter, due primarily to an 8% increase in total invested assets.

Realized Investment Gains and Losses

The small amount of realized investment gains and losses resulted from the sale of selected bonds triggered by responses to general market conditions.

Brokerage Income

The 32% increase in brokerage income is in line with the Company's expectations with regards to the Company's subsidiaries, CSI Brokerage Services, Inc. and CS Marketing Resources, Inc. Both Companies receive override commissions from other insurance carriers and their revenues may fluctuate based on the timing of receipt of the overrides. Additionally, CSI Brokerage Services, Inc. earned \$31,000 of interest income from an advance to an affiliated company. The Company expects other income to fluctuate as this advance is paid down.

Benefits and Operating Expenses

Ordinary benefits as a percentage of premium income and mortality and expense charges earned increased 5% over the year earlier quarter. Traditional and universal life death benefits were approximately \$240,000 higher than 1994 levels. Accident and health benefits decreased 33% and will continue to fluctuate as experience and related premium income are generally based on actual claims experience. Expenses (including amortization of policy acquisition costs) as a percentage of premium income, mortality and expense charges and brokerage income increased 4% over the first quarter of 1994. The Company continues to emphasize expense controls, but minor fluctuations are still expected.

Federal Income Taxes

Current taxes are provided based on estimates of the projected effective annual tax rate. Deferred taxes are provided on the basis of SFAS 109 adopted January 1, 1993.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a defendant in various actions incidental to the conduct of its business. The Company intends to vigorously defend the litigation and while the ultimate outcome of these matters cannot be estimated with certainty, management does not believe the actions will result in any material loss to the Company.

Item 2. Changes in Securities

NONE

Item 3. Defaults Upon Senior Securities

NONE

Item 4. Submission of Matters to a Vote of Security Holders

At the annual meeting of shareholders held on April 24, 1995, the following directors were elected for three year terms expiring in 1998:

J. Ridley Howard
F. Abit Massey
Charles C. Williams

Item 5. Other Information

On April 24, 1995 the Board of Directors declared a dividend of \$.04 per share for shareholders of record June 15, 1995 and payable July 1, 1995.

Item 6. Exhibits and Reports on Form 8-K.

NONE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COTTON STATES LIFE INSURANCE COMPANY
Registrant

Date: 05/10/95

Gary W. Meader
Chief Financial Officer-Treasurer

Date: 05/10/95

William J. Barlow
Vice President-Controller

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