

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: 1999-07-27 | Period of Report: 1999-07-26
SEC Accession No. 0001034588-99-000016

(HTML Version on secdatabase.com)

FILER

HSB GROUP INC

CIK: **1034588** | IRS No.: **061475343** | State of Incorporation: **CT** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-13135** | Film No.: **99670646**
SIC: **6331** Fire, marine & casualty insurance

Mailing Address
ONE STATE ST
PO BOX 5024
HARTFORD CT 06102

Business Address
ONE STATE ST
P O BOX 5024
HARTFORD CT 06102-5024
8607221866

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) - July 26, 1999

HSB Group, Inc.

(Exact name of registrant as specified in its charter)

Connecticut (State or other jurisdiction of incorporation)	001-13135 (Commission File Number)	06-1475343 (IRS Employer Identification No.)
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One State Street, Hartford, Connecticut (Address of principal executive offices)	06102-5024 (Zip Code)
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Registrant's telephone number, including area code - (860-722-1866)

Item 5. Other Events

On July 26, 1999, HSB Group, Inc. (the "Company") issued a press release reporting its second quarter earnings and announcing the declaration of a dividend of 44 cents per share. Included herewith as Exhibit 99 is the Company's press release related to this announcement and such information is incorporated herein by reference.

Item 7. Exhibits.

99(i) Press release dated July 26, 1999 announcing second quarter results.

99(ii) Press release dated July 25, 1999 announcing the declaration of a dividend.

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.

HSB Group, Inc.

Dated: July 27, 1999

/s/ R. Kevin Price
R. Kevin Price
Senior Vice President
and Corporate Secretary

CONTACT:
James C. Rowan Jr.
Office: (860) 722-5180

FOR IMMEDIATE RELEASE

HSB GROUP, INC. REPORTS GAINS IN SECOND QUARTER

HARTFORD, Conn., July 26, 1999 -- HSB Group, Inc. (NYSE-HSB), today reported that second quarter net income per share on a fully diluted basis, was 76 cents. This represents an increase of 11.8 percent, compared to 68 cents per share in the second quarter of 1998.

HSB Group's gross earned insurance premiums grew 17.7 percent. The combined ratio -- the sum of losses and expenses as a percentage of insurance revenue -- was 89.1 percent for the quarter, down from 89.3 percent in the second quarter of 1998. The year-to-date combined ratio is 88.5 percent compared to 89.3 percent last year.

HSB's Engineering Services net revenues increased 22.5 percent over the second quarter of 1998. The margin was 8.2 percent.

"I am pleased with the continued double-digit growth in our insurance and engineering services businesses in a competitive operating environment," said Gordon W. Kreh, chairman, president and chief executive officer. "These results confirm that we have a strong growth strategy in place."

Investment income, net of related interest expense, was \$16.6 million compared to \$15.9 million in the second quarter of 1998. Realized gains, reflecting, in significant measure, a rebalancing of the equity portfolio in consideration of recent market movements, were \$10.2 million compared to \$7.3 million in the second quarter of last year.

HSB Group, Inc. is a global provider of specialty insurance products, engineering services, and management consulting services. HSB Group is the parent company of The Hartford Steam Boiler Inspection and Insurance Company, founded in 1866 and the largest provider of equipment breakdown insurance in the world. For more information about HSB, visit its website at www.hsb.com.

<TABLE>

Summary of Operations
In millions, except per share amounts

<CAPTION>

	Quarter		Percent Change	Year-To-Date		Percent Change
	Ended June 30 1999	1998		June 30 1999	1998	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Gross earned premiums.....	\$ 206.8	\$ 175.7	17.7%	\$ 415.7	\$ 355.4	17.0%
Ceded premiums.....	113.1	85.3		225.5	165.6	
Insurance premiums.....	93.7	90.4		190.2	189.8	
Claims and adjustment expenses.....	37.9	40.4		76.2	85.0	
Policy acquisition expenses.....	21.3	12.8		43.9	27.4	
Underwriting and inspection expenses.....	24.2	27.5		48.2	57.2	
Insurance operating gain.....	\$ 10.3	\$ 9.7		\$ 21.9	\$ 20.2	

Loss ratio*.....	40.5%	44.7%		40.1%	44.8%	
Expense ratio*.....	48.6%	44.6%		48.4%	44.5%	
Combined ratio*.....	89.1%	89.3%		88.5%	89.3%	
Engineering services revenues.....	\$ 27.8	\$ 22.7	22.5%	\$ 55.4	\$ 42.4	30.7%
Engineering services expenses.....	25.6	20.7		50.8	38.6	
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Engineering services operating gain.....	\$ 2.2	\$ 2.0		\$ 4.6	\$ 3.8	
	-----	-----		-----	-----	
Engineering services operating margin*.....	8.2%	8.9%		8.3%	8.9%	
Investment income, net of related interest expense.....	\$ 16.6	\$ 15.9	4.4%	\$ 32.3	\$ 31.1	3.9%
Realized investment gains.....	10.2	7.3		17.3	10.5	
	----	---		----	-----	
Income from investment operations.....	\$ 26.8	\$ 23.2		\$ 49.6	\$ 41.6	
Interest expense.....	0.6	0.1		1.0	0.2	
Gain on sale of IRI.....	-	-		-	39.0	
Income from continuing operations before income taxes and distributions on capital securities.....	\$ 38.7	\$ 34.8		\$ 75.1	\$ 104.4	
Income taxes.....	11.4	9.3		22.3	31.8	
Distribution on capital securities of subsidiary trusts, net of tax	4.5	4.7		9.0	9.2	
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Income from continuing operations.....	\$ 22.8	\$ 20.8		\$ 43.8	\$ 63.4	
Discontinued operations: After tax gain on disposal of Radian International LLC, net of deferred loss.	-	-		-	30.3	
	-----	-----		-----	-----	
Net income.....	\$ 22.8	\$ 20.8		\$ 43.8	\$ 93.7	
	=====	=====		=====	=====	
Earnings per common share-assuming dilution: Income from continuing operations.....	\$ 0.76	\$ 0.68		\$ 1.47	\$ 1.99	**
Net income.....	\$ 0.76	\$ 0.68		\$ 1.47	\$ 2.85	***
Dividends declared per common share.....	\$ 0.42	\$ 0.40		\$ 0.84	\$ 0.80	
Average common shares outstanding and common stock equivalents.....	34.8	35.4		34.6	35.3	

</TABLE>

* Computation excludes rounding

** Includes \$0.71 from Gain on sale of IRI

*** Includes \$0.71 from Gain on sale of IRI and \$0.86 from Gain on sale of Radian.

Summary of Financial Position

In millions, except per share amounts

	June 30, 1999	December 31, 1998
	-----	-----
Assets		
Cash and short-term investments.....	\$ 96.9	\$ 80.6
Fixed maturities, at fair value.....	544.9	577.1
Equity securities, at fair value.....	441.6	437.1
	----	----
Cash and invested assets.....	1,083.4	1,094.8
Reinsurance assets.....	660.8	630.4
Insurance premiums receivable.....	121.7	146.7

Engineering services receivable.....	29.4	26.1
Fixed assets.....	56.3	54.9
Other assets.....	211.2	191.1
	-----	-----
Total assets.....	\$2,162.8	\$ 2,144.0
	=====	=====
Liabilities		
Unearned insurance premiums and ceding commissions.....	\$ 426.8	\$ 477.9
Claims and adjustment expenses.....	592.1	550.3
Total borrowings.....	80.1	46.1
Other liabilities.....	232.1	241.5
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Total liabilities.....	1,331.1	1,315.8
Company obligated mandatorily redeemable capital securities of subsidiary Trust I holding solely junior subordinated deferrable interest debentures of the Company, net of unamortized discount....		
	108.9	108.9
Company obligated mandatorily redeemable convertible capital securities of subsidiary Trust II holding solely junior subordinated deferrable interest debentures of the Company.....		
	300.0	300.0
Shareholders' equity.....	422.8	419.3
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Total.....	\$2,162.8	\$ 2,144.0
	=====	=====
Shareholders' equity per common share.....	\$ 14.52	\$ 14.53
Based on common shares outstanding of.....	29.1	28.9
Pro forma shareholders' equity per common share assuming conversion of Trust II capital securities and net exercise of in the money HSB stock options.		
	\$ 20.68	\$ 20.77
Based on pro forma common shares outstanding.....	35.0	34.6

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CONTACT:

James C. Rowan Jr.
Office: (860) 722-5180

FOR IMMEDIATE RELEASE

HSB GROUP, INC. DECLARES DIVIDEND

HARTFORD, Conn., July 26, 1999 - The Board of Directors of HSB Group, Inc. (NYSE-HSB) today voted to increase the regular quarterly dividend from 42 cents to 44 cents per share. The increased dividend will be payable on October 28, 1999, to shareholders of record at the close of business on October 11, 1999. This marks the 34th consecutive year that shareholders have received a higher dividend payment and the 129th consecutive year in which Hartford Steam Boiler has paid a dividend, one of the longest records of the New York Stock Exchange.