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JEFFERSON PILOT CORP
Form 10-Q
August 14, 2001

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 Quarter Ended June 30, 2001

Commission file number 1-5955

Jefferson-Pilot Corporation
(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction of
incorporation or organization)

56-0896180
(I.R.S. Employer
Identification No.)

100 North Greene Street, Greensboro, North Carolina
(Address of principal executive offices)

27401
(Zip Code)

(336) 691-3000
(Registrant's telephone number, including area code)

Indicate 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 X No
 ----- -----

Number of shares of common stock outstanding at June 30, 2001 152,161,168

JEFFERSON-PILOT CORPORATION

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Part I. Financial Information
Consolidated Unaudited Condensed Balance Sheets
- June 30, 2001 and December 31, 2000

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES
CONSOLIDATED UNAUDITED CONDENSED BALANCE SHEETS
(Dollar Amounts in Millions Except Share Information)

	June 30 2001 -----	December 31 2000 -----
ASSETS		
Investments:		
Debt securities available for sale, at fair value (amortized cost \$13,172 and \$12,919)	\$13,233	\$12,978
Debt securities held to maturity, at amortized cost (fair value \$3,373 and \$3,134)	3,362	3,130
Equity securities available for sale, at fair value (cost \$37 and \$64)	560	551
Mortgage loans on real estate	2,891	2,771
Policy loans	938	923
Real estate	134	135
Other investments	15	11
Total investments	21,133	20,499
Cash and cash equivalents	53	26
Accrued investment income	282	272
Due from reinsurers	1,402	1,450
Deferred policy acquisition costs and value of business acquired	2,022	1,959
Cost in excess of net assets acquired	318	323
Assets held in separate accounts	2,218	2,311
Other assets	480	481
Total assets	\$27,908 =====	\$27,321 =====

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LIABILITIES AND STOCKHOLDERS' EQUITY

Policy liabilities:			
Future policy benefits		\$ 2,591	\$ 2,655
Policyholder contract deposits		16,904	16,555
Dividend accumulations and other policyholder funds			
on deposit		252	191
Policy and contract claims		142	176
Other		424	388
		-----	-----
Total policy liabilities		20,313	19,965
Debt:			
Commercial paper and revolving credit borrowings		538	405
Exchangeable Securities and other debt		150	139
Securities sold under repurchase agreements		284	397
Currently payable income taxes		31	60
Deferred income tax liabilities		265	212
Liabilities related to separate accounts		2,218	2,311
Accounts payable, accruals and other liabilities		520	373
		-----	-----
Total liabilities		24,319	23,862
		-----	-----
Commitments and contingent liabilities			
Guaranteed preferred beneficial interest in			
subordinated debentures ("Capital Securities")		300	300
Stockholders' Equity:			
Common stock and paid in capital, par value \$1.25			
per share: authorized 350,000,000 shares; issued			
and outstanding 2001-151,161,168 shares;			
2000-154,305,846 shares		192	131
Retained earnings		2,728	2,683
Accumulated other comprehensive income -			
net unrealized gains on securities		369	345
		-----	-----
		3,289	3,159
		-----	-----
Total liabilities and stockholders' equity		\$27,908	\$27,321
		=====	=====

See Notes to Consolidated Condensed Financial Statements

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JEFFERSON-PILOT CORPORATION
CONSOLIDATED UNAUDITED CONDENSED STATEMENTS OF INCOME
(In Millions Except Per Share Information)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenue:				
Premiums and other considerations	\$ 349	\$ 336	\$ 698	\$ 675
Net investment income	372	358	742	711
Realized investment gains	30	31	87	79
Communications sales	48	50	98	102
Other	30	28	58	56

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Total revenue	829	803	1,683	1,623
Benefits and Expenses:				
Insurance and annuity benefits	425	401	860	808
Insurance commissions, net of deferrals	35	30	66	62
General and administrative expenses, net of deferrals	65	63	127	129
Amortization of policy acquisition costs and value of business acquired	63	72	126	133
Communications operations	28	29	62	62
Total benefits and expenses	616	595	1,241	1,194
Income before income taxes	213	208	442	429
Provision for income taxes	72	72	148	148
Income before dividends on Capital Securities and cumulative effect of change in accounting principle	141	136	294	281
Dividends on Capital Securities	(6)	(6)	(12)	(12)
Cumulative effect of change in accounting for derivative instruments, net of income taxes (Note 5)	-	-	1	-
Net income available to common stockholders	\$ 135	\$ 130	\$ 283	\$ 269
Net income available to common stockholders, before dividends on Capital Securities	\$ 141	\$ 136	\$ 295	\$ 281
Other comprehensive income - change in net unrealized gains on securities	(70)	(113)	24	(106)
Comprehensive income	\$ 71	\$ 23	\$ 319	\$ 175
Average number of shares outstanding	152.1	154.7	152.8	154.7
Net Income Per Share of Common Stock:				
Net income available to common stockholders before realized investment gains and cumulative effect of change in accounting principle, net of income taxes	\$ 0.75	\$ 0.71	\$ 1.47	\$ 1.41
Realized investment gains, net of income taxes	0.13	0.13	0.37	0.33
Cumulative effect of change in accounting for derivative instruments, net of income taxes	-	-	0.01	-
Net income available to common stockholders	\$ 0.88	\$ 0.84	\$ 1.85	\$ 1.74
Net income available to common stockholders - assuming dilution	\$ 0.87	\$ 0.83	\$ 1.83	\$ 1.72

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	=====	=====	=====	=====
Dividends declared per common share	\$ 0.275	\$ 0.247	\$ 0.550	\$ 0.494
	=====	=====	=====	=====

See Notes to Consolidated Condensed Financial Statements

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JEFFERSON-PILOT CORPORATION
CONSOLIDATED UNAUDITED CONDENSED
STATEMENTS OF CASH FLOWS
(In Millions)

	Six Months Ended June 30	
	2001	2000
	-----	-----
Net cash provided by operations	\$ 358	\$ 199
	-----	-----
Cash Flows from Investing Activities:		
Investments purchased, net	(479)	(272)
Other investing activities	-	(5)
	-----	-----
Net cash used in investing activities	(479)	(277)
	-----	-----
Cash Flows from Financing Activities:		
Policyholder contract deposits, net	1,147	1,211
Policyholder contract withdrawals, net	(838)	(1,006)
Net borrowings (repayments)	24	(31)
Repurchase of common shares, net	(94)	(22)
Cash dividends paid	(92)	(85)
Other financing activities	1	1
	-----	-----
Net cash provided by financing activities	148	68
	-----	-----
Increase (Decrease) in cash and cash equivalents	27	(10)
Cash and cash equivalents at beginning of period	26	62
	-----	-----
Cash and cash equivalents at end of period	\$ 53	\$ 52
	=====	=====
Supplemental Cash Flow Information:		
Income taxes paid	\$ 138	\$ 97
	=====	=====
Interest paid	\$ 31	\$ 30
	=====	=====

See Notes to Consolidated Condensed Financial Statements

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JEFFERSON-PILOT CORPORATION

NOTES TO CONSOLIDATED UNAUDITED CONDENSED FINANCIAL STATEMENTS (Dollar amounts in millions)

1. Basis of Presentation

The accompanying consolidated unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. All significant intercompany accounts and transactions have been eliminated in consolidation. Operating results for the six-month period ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001. Certain prior year amounts have been reclassified to conform with the current year presentation.

2. Segment Reporting

The Company has five reportable segments that are defined based on the nature of the products and services offered: Individual Products, Annuity and Investment Products (AIP), Benefit Partners, Communications, and Corporate and Other. The Corporate and Other segment includes activities of the parent company and passive investment affiliates, surplus of the life insurance subsidiaries not allocated to other reportable segments including earnings thereon, financing expenses on Corporate debt and debt securities including Capital Securities, federal and state income taxes not otherwise allocated to other reportable segments and all of the Company's realized gains and losses. Surplus is allocated to the Individual Products, AIP and Benefit Partners reportable segments based on risk-based capital formulae which give consideration to asset/liability and general business risks, as well as the Company's strategies for managing those risks. Various distribution channels and/or product classes related to the Company's individual life, annuity and investment products and group insurance have been aggregated in the Individual Products, AIP and Benefit Partners reporting segments.

The following table summarizes certain financial information regarding the Company's reportable segments:

	June 30 2001	December 31 2000
	-----	-----
ASSETS		
Individual Products	\$ 15,348	\$ 15,054
AIP	7,856	7,691
Benefit Partners	742	736
Communications	200	212
Corporate & other	3,762	3,628
	-----	-----
Total assets	\$ 27,908	\$ 27,321
	=====	=====

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	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
REVENUES				
Individual Products	\$426	\$415	\$ 851	\$ 839
AIP	159	154	317	302
Benefit Partners	144	132	287	260
Communications	48	49	97	101
Corporate & Other	22	22	44	42
	-----	-----	-----	-----
	799	772	1,596	1,544
Realized investment gains, before tax	30	31	87	79
	-----	-----	-----	-----
Total revenues before cumulative effect of change in accounting principle	\$829	\$803	\$1,683	\$1,623
	=====	=====	=====	=====
REPORTABLE SEGMENTS RESULTS AND RECONCILIATION TO NET INCOME AVAILABLE TO COMMON STOCKHOLDERS				
Individual Products	\$ 76	\$ 69	\$ 146	\$ 138
AIP	19	19	38	40
Benefit Partners	11	9	21	17
Communications	8	9	15	18
Corporate & Other	1	4	5	5
	-----	-----	-----	-----
Total reportable segment results, before cumulative effect of change in accounting principle	115	110	225	218
Realized investment gains, net of tax	20	20	57	51
	-----	-----	-----	-----
Net income available to common stockholders, before cumulative effect of change in accounting principle	135	130	282	269
Cumulative effect of change in accounting for derivative instruments, net of income taxes	-	-	1	-
	-----	-----	-----	-----
Net income available to common stockholders	\$135	\$130	\$ 283	\$ 269
	=====	=====	=====	=====

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3. Income from Continuing Operations Per Share of Common Stock

On February 12, 2001, the Board authorized a 50% stock dividend distributed on April 19, 2001 to shareholders of record as of March 19, 2001. All share and per share amounts have been restated to give a retroactive effect to the stock split. The following table sets forth the computation of earnings per share before cumulative effect of change in accounting principle and earnings per share assuming dilution before cumulative effect of change in accounting principle:

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Numerator:				
Net income before dividends on Capital Securities and cumulative effect of change in accounting principle	\$ 141	\$ 136	\$ 294	\$ 281
Dividends on Capital Securities and preferred stock	6	6	12	12
<hr style="border-top: 1px dashed black;"/>				
Numerator for earnings per share and earnings per share - assuming dilution - Net income available to common stockholders, before cumulative effect of change in accounting principle	\$ 135	\$ 130	\$ 282	\$ 269
<hr style="border-top: 1px dashed black;"/>				
Denominator:				
Denominator for earnings per share - weighted-average share outstanding	152,133,839	154,725,350	152,828,044	154,728,770
Effect of dilutive securities:				
Stock options	1,537,663	1,381,023	1,493,424	1,281,302
<hr style="border-top: 1px dashed black;"/>				
Denominator for earnings per share assuming dilution - adjusted weighted-average shares outstanding	153,671,502	156,106,373	154,321,468	156,010,072
<hr style="border-top: 1px dashed black;"/>				
Earnings per share, before cumulative effect of change in accounting principle	\$ 0.88	\$ 0.84	\$ 1.84	\$ 1.74
<hr style="border-top: 1px dashed black;"/>				

Earnings per share -

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assuming dilution, before cumulative effect of change in accounting principle	\$ 0.87	\$ 0.83	\$ 1.82	\$ 1.72
	=====	=====	=====	=====

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4. Contingent Liabilities

Jefferson-Pilot Life is a defendant in two separate proposed class action suits. The plaintiffs' fundamental claim in the first suit is that our policy illustrations were misleading to consumers. Management believes that our policy illustrations made appropriate disclosures and were not misleading. The second suit alleges that a predecessor company, Pilot Life, decades ago unfairly discriminated in the sale of certain small face amount life insurance policies, and unreasonably priced these policies. In both cases, the plaintiffs seek unspecified compensatory and punitive damages, costs and equitable relief. While management is unable to estimate the probability or range of any possible loss in either or both cases, management believes that our practices have complied with state insurance laws and intends to vigorously defend the claims asserted.

In the normal course of business, the Company and its subsidiaries are parties to various lawsuits. Because of the considerable uncertainties that exist, the Company cannot predict the outcome of pending or future litigation. However, management believes that the resolution of pending legal proceedings will not have a material adverse effect on the Company's financial position or liquidity, although it could have a material adverse effect on the results of operations for a specified period.

5. Accounting Pronouncements

Effective January 1, 2001, the Company adopted SFAS 133, "Accounting for Derivative Instruments and for Hedging Activities" and SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (collectively referred to as SAFA 133). SFAS 133 requires all derivatives to be recorded on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. If the derivative is a hedge, changes in its fair value are either offset against the change in fair value of assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The adoption of SFAS 133 on January 1, 2001 resulted in the cumulative effect of an accounting change, net of income taxes of \$1.5 being recognized as income in the statement of net income. There was no cumulative effect recognized in other comprehensive income related to the Company's interest rate swaps, used as cash flow hedges, because these swaps were carried at fair value prior to adoption of SFAS 133. See Note 6 for a complete discussion of the Company's derivative instruments.

6. Derivative Financial Instruments

SFAS 133 requires companies to recognize all derivative instruments as either assets or liabilities in the balance sheet at fair value. The fair values of the Company's derivative instruments of \$8.4 at June 30, 2001, are included in

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other investments in the accompanying balance sheet. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as either a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation. The Company accounts for changes in fair values of derivatives that have no hedge designation or do not qualify for hedge accounting through current earnings during the period of the change. For derivatives that are designated and qualify as cash flow hedges, the effective

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portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period during which the hedged transaction impacts earnings. The remaining gain or loss on these derivative instruments is recognized in current earnings during the period of the change. Effectiveness of the Company's hedge relationships is assessed and measured on a quarterly basis. The Company has no fair value hedges or hedges of net investments in foreign operations.

Cash Flow Hedging Strategy

The Company uses interest rate swaps to convert floating rate investments to fixed rate investments. Interest is exchanged periodically on the notional value, with the Company receiving the fixed rate and paying various short-term LIBOR rates on a net exchange basis. During the quarter and the six months ended June 30, 2001, the ineffective portion of the Company's cash flow hedging instruments, which is recognized in realized investment gains, was not significant.

Activity in other comprehensive income related to cash flow hedges during the quarter and the six months ended June 30, 2001 was not significant.

The Company does not expect to reclassify a significant amount of net gains (losses) on derivative instruments from accumulated other comprehensive income to earnings during the next twelve months.

Other Derivatives

The Company acquired a \$30 block of equity indexed annuities as the result of its purchase of Guarantee. These contracts have an equity market component, where interest credited to the contracts is linked to the performance of the S&P 500r index. The Company has historically managed this risk by purchasing call options that mirrored the interest credited to the contracts. These call options act as an economic hedge, as changes in their fair values are recognized in net investment income. For the second quarter and the six months ended June 30, 2001, activity reflected in net investment income related to these options was not significant.

Certain swaps serve as economic hedges but do not qualify for hedge accounting under SFAS 133. These swaps are marked to market through realized gains. During the quarter and the six months ended June 30, 2001, activity related to these swaps, which is recognized in realized investment gains, was not significant.

The Company also invests in debt securities with embedded options, which are considered to be derivative instruments under SFAS 133. These derivatives are marked to market through realized investment gains, but had an insignificant

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effect for the second quarter and the six months ended June 30, 2001.

The Company is exposed to credit risk in the event of non-performance by counterparties to derivative instruments. The Company limits this exposure by diversifying among counterparties with high credit ratings.

The Company's credit risk exposure on swaps is limited to the fair value of swap agreements that it has recorded as an asset. The Company does not expect any counterparty to fail to meet its obligation. Currently, non-performance by a counterparty would not have a material adverse effect on the Company's financial

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position or results of operations. The Company's exposure to market risk is mitigated by the offsetting effects of changes in the value of swap agreements and the related direct investments and credited interest on annuities.

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JEFFERSON-PILOT CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is Management's Discussion and Analysis of financial condition as of June 30, 2001, changes in financial condition for the six months then ended, and results of operations for the three month and six month periods ended June 30, 2001, as compared to the same periods of 2000 of Jefferson-Pilot Corporation and consolidated subsidiaries (collectively, JP or Company). The discussion supplements Management's Discussion and Analysis in Form 10-K for the year ended December 31, 2000, and it should be read in conjunction with the interim financial statements and notes contained herein. All dollar amounts are in millions except per share amounts. All prior share amounts have been restated to give retroactive effect to the Company's 50% stock dividend, which was effective in April 2001.

COMPANY PROFILE

The Company has five reportable segments: Individual Products, Annuity and Investment Products (AIP), Benefit Partners, Communications, and Corporate and Other.

Within the Individual Products segment, JP offers a wide array of individual life insurance products including variable life insurance. AIP offers both fixed and variable annuities, as well as other investment products. Benefit Partners offers group non-medical products such as term life, disability and dental insurance to the employer marketplace. Various insurance and investment products are currently marketed to individuals and businesses in the United States. At June 30, 2001, the Company's principal life insurance subsidiaries were Jefferson-Pilot Life Insurance Company (JP Life), Jefferson Pilot Financial Insurance Company (JPFIC) and its subsidiary Jefferson Pilot LifeAmerica Insurance Company (JPLA) (collectively, JP Financial). Effective August 1, 2000, Alexander Hamilton Life Insurance Company of America (AHL) and Guarantee Life Insurance Company (Guarantee) merged into JPFIC in order to improve efficiencies and reduce administrative expenses and other costs.

Communications operations are conducted by Jefferson-Pilot Communications

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Company (JPCC) and consist of radio and television broadcasting operations located in strategically selected markets in the Southeastern and Western United States, and sports program production.

Corporate and Other contains the activities of the parent company and passive investment affiliates, surplus of the life insurance subsidiaries not allocated to other reportable segments including earnings thereon, financing expenses on Corporate debt and debt securities including Capital Securities, and federal and state income taxes not otherwise allocated to business segments.

JP's acquisition strategy is designed to enhance core business growth and deploy excess capital. The focus is to increase distribution, add products, add technology and provide economies of scale.

For the first half of 2001, JP's revenues were derived 53% from Individual Products, 20% from AIP, 18% from Benefit Partners, 6% from Communications, and 3% from Corporate and Other, excluding realized gains.

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As a result of strategic studies undertaken last year, a refined marketing strategy emerged called Premier Partnering. The Company is intensely focused in 2001 on implementing this strategy to accelerate growth in individual life insurance sales. Strategic initiatives focus particularly on relationships with more productive agents, by providing a higher level of marketing support, as well as new ways of differentiating service for these key agents. Further, JP is focusing on selective markets in which the Company is tailoring specific products and marketing programs: wealth accumulation, wealth preservation and business planning. The Company plans to spend approximately \$5 in 2001, primarily in new field recruiting and relationship management marketing support for agents. Most of the hiring was completed by June 30 and expenses were \$2.5 and \$3.0 for the second quarter and first six months of 2001. Related JP initiatives include an increased emphasis on employee development through adoption of a performance culture, continued effective cost control and application of "lean manufacturing" concepts to improve quality and reliability throughout our operating processes. The Company has set stretch goals of doubling the number of agents who qualify as Premier Partners and increasing the annual rate of life insurance sales (excluding large-case BOLI) by 50% within two years from 2000.

RESULTS OF OPERATIONS

In the following discussion "reportable segment results" and "total reportable segment results" include all elements of net income available to common stockholders except realized gains on sales of investments (realized investment gains). Realized investment gains, as defined, are net of related income taxes and amortization of deferred acquisition costs and value of business acquired. Realized investment gains are included in the "Corporate and Other" segment. Reportable segment results is the basis used by management of the Company in assessing the performance of its business segments. Management believes that reportable segment results are relevant and useful information. Gains from sale of investments arise in majority from its Available for Sale equity and bond portfolios and may be realized in the sole discretion of management. Effective January 1, 2001, the Company adopted SFAS 133, "Accounting for Derivative Instruments and for Hedging Activities" which caused a one time increase to after tax income of \$1.5 which is primarily included in the AIP reportable segment results. Reportable segment results as described above may not be comparable to similarly titled measures reported by other companies.

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The following tables illustrate JP's results before and after the inclusion of realized investment gains and the cumulative effect of change in accounting for derivatives:

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
<u>Consolidated Summary of Income</u>				
Income before dividends on Capital Securities and cumulative effect of change in accounting principle	\$140.4	\$136.4	\$293.5	\$281.4
Dividends on Capital Securities	(6.2)	(6.2)	(12.3)	(12.3)
Cumulative effect of change in accounting for derivative instruments, net of income taxes	-	-	1.5	-
Net income available to common stockholders	\$134.2	\$130.2	\$282.7	\$269.1
Income before dividends on Capital Securities	\$140.4	\$136.4	\$295.0	\$281.4
Other comprehensive income - change in net unrealized gains on securities	(70.1)	(113.9)	23.9	(106.5)
Comprehensive income	\$ 70.3	\$ 22.5	\$318.9	\$174.9

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Average number of shares outstanding	152,133,839	154,725,350 (a)	152,828,044	154,728,770 (a)
Average number of shares outstanding - assuming dilution	153,671,502	156,106,373 (a)	154,321,468	156,010,072 (a)

(a) Number of shares has been restated as if the 50% stock dividend effective April 9, 2001 had been in effect for all periods presented.

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The following table shows total reportable segment results:

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Consolidated Earnings Per Share				

Basic:				
Total reportable segment results	\$0.75	\$0.71	\$1.48 (b)	\$1.41
Realized investment gains (net of applicable income taxes)	0.13	0.13	0.37	0.33
	-----	-----	-----	-----
Net income available to common stockholders	\$0.88	\$0.84	\$1.85	\$1.74
	=====	=====	=====	=====
Fully-diluted:				
Total reportable segment results	\$0.75	\$0.71	\$1.47 (b)	\$1.40
Realized investment gains (net of applicable income taxes)	0.12	0.12	0.36	0.32
	-----	-----	-----	-----
Net income available to common stockholders	\$0.87	\$0.83	\$1.83	\$1.72
	=====	=====	=====	=====

(b) Includes \$0.01 per share of income relating to cumulative effect of change in accounting for derivatives.

Net income available to common stockholders increased 3.1% and 5.1% from the second quarter and first six months of 2000. Total reportable segment results increased 4.1% over the second quarter and first six months of 2000. Net realized gains decreased 2.5% and increased 9.2% from the second quarter and first six months of 2000.

Total reportable segment results per share including the cumulative effect of the change in accounting for derivatives increased 5.6% over second quarter 2000 and 5.0% over the first six months of 2000, reflecting the increase in earnings and the share repurchases since first quarter 2000. Earnings per share increased 4.8% over second quarter 2000 and 6.3% from the first six months of 2000. Earnings per share assuming dilution increased 4.8% from second quarter 2000 and increased 6.4% over the first six months of 2000 for the same reasons. Due to share repurchases net of stock plan issuances, the average number of diluted shares outstanding decreased 1.6% to 153.7 million shares and 1.1% to 154.3 million shares from the second quarter and first six months of 2000.

RESULTS BY BUSINESS SEGMENT

Management assesses profitability by business segment and measures other operating statistics as detailed in the separate segment discussions that follow. Sales are one of the statistics JP uses to track performance. Because of the nature of our sales, which are primarily long-duration contracts in the Individual Products and AIP segments, sales in a given quarter do not have a near term material impact on operating results and therefore are not considered

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to be material information. However, trends relating to new product sales over a longer period of time may be an indicator of future growth and profitability.

Reportable segments are determined in a manner consistent with the way management organizes for purposes of making operating decisions and assessing performance. Invested assets backing insurance liabilities are assigned to segments in relation to policyholder funds and reserves. Net deferred acquisition costs incurred, value of business acquired, reinsurance receivables and communications assets are assigned to the respective segments where those assets originate. Invested assets are also assigned to back capital allocated to each segment in relation to JP's philosophy for managing business risks, reflecting appropriate conservatism. The remainder of invested and other assets are assigned to the Corporate and Other segment.

Results by Reportable Segment

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Individual Products	\$ 76.5	\$ 69.0	\$146.0	\$137.3
AIP	19.1	19.4	39.8 (a)	40.3
Benefit Partners	10.5	8.9	20.9	17.2
Communications	8.7	9.2	15.5	18.0
Corporate and Other	(0.1)	3.7	4.5	5.0
Total reportable segment results	114.7	110.2	226.7	217.8
Net realized investment gains	19.5	20.0	56.0	51.3
Net income available to common stockholders	\$134.2	\$130.2	\$282.7	\$269.1

(a) Includes \$1.5 relating to the cumulative effect of change in accounting for derivatives.

Segment Assets

	June 30 2001	June 30 2000
Individual Products	\$15,348	\$14,883
AIP	7,856	7,525
Benefit Partners	742	715
Communications	200	210
Corporate and Other	3,762	3,466
Total Assets	\$27,908	\$26,799

A more detailed discussion of reportable segment results follows.

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INDIVIDUAL PRODUCTS

The Individual Products segment markets individual life insurance policies through independent general agents, independent national account marketing firms, agency building general agents, home service agents, broker/dealers, banks and strategic alliances.

Individual Products include universal life (UL) and variable universal life (VUL), together referred to as UL-type products, as well as traditional life products. The operating cycle for life insurance products is long term in nature; therefore, actuarial assumptions are important to financial reporting for these products. Traditional products require the policyholder to pay scheduled premiums over the life of the coverage. Traditional premium receipts are recognized as revenues and profits are expected to emerge in relation thereto. Interest-sensitive product (or UL-type product) premiums may vary over the life of the policy at the discretion of the policyholder and are not recognized as revenues. Revenues and reportable segment results on these products arise from mortality, expense and surrender charges to policyholder fund balances (policy charges). Additionally, JP earns interest spreads and investment advisory fees on VUL policyholder fund balances. Reportable segment results for both traditional and UL-type products also includes earnings on required capital.

Segment results were:

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Life premiums and other considerations	\$ 50.3	\$ 53.7	\$ 99.5	\$112.0
UL and investment product charges	156.8	150.4	316.2	304.6
Investment income, net of expenses	216.9	209.4	431.5	417.7
Other income	1.9	2.1	3.9	4.3
	-----	-----	-----	-----
Total revenues	425.9	415.6	851.1	838.6
	-----	-----	-----	-----
Policy benefits	232.4	226.5	474.7	461.7
Expenses	75.8	83.1	152.0	166.5
	-----	-----	-----	-----
Total benefits and expenses	308.2	309.6	626.7	628.2
	-----	-----	-----	-----
Reportable segment results before income taxes	117.7	106.0	224.4	210.4
Provision for income taxes	41.2	37.0	78.4	73.1
	-----	-----	-----	-----
Reportable segment results	\$ 76.5	\$ 69.0	\$146.0	\$137.3
	=====	=====	=====	=====

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Individual Products reportable segment results increased \$7.5 or 10.9% and \$8.7 or 6.3% over the second quarter and first half of 2000, due primarily to growth in policyholder funds and expense reductions.

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	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Annualized life insurance premium sales:				
Sales excluding large-case BOLI	\$ 43.1	\$ 37.4	\$ 79.3	\$ 77.8
Large-case BOLI	8.3	0.4	8.6	2.1
Individual traditional insurance premiums	\$ 49.9	\$ 52.9	\$ 99.0	\$ 110.6
Average UL policyholder fund balances	9,083.3	8,687.4	9,002.1	8,644.0
Average VUL separate account assets	1,269.7	1,400.9	1,325.8	1,372.5
	-----	-----	-----	-----
	\$ 10,353.0	\$ 10,088.3	\$ 10,327.9	\$ 10,016.5
	=====	=====	=====	=====
Average face amount of insurance in force:				
Total	\$156,435.0	\$157,609.0	\$156,543.0	\$157,856.0
UL-type policies	\$114,531.0	\$112,002.0	\$114,246.0	\$111,784.0
Average assets	\$ 15,181.6	\$ 14,891.3	\$ 15,071.8	\$ 14,793.8

Annualized life insurance premium sales in the prior year have been reclassified to conform with the presentations adopted in the current quarter.

Annualized life insurance premium sales excluding large-case BOLI increased 15.2% and 1.9% for the second quarter and first half of 2001 as the Company was repositioning several UL products to meet marketplace demand, despite a drop in Survivorship sales due to continued uncertainty about estate tax changes. Annualized large-case BOLI sales increased significantly over the second quarter and first half of 2000. JP's business strategy is to respond to individual sales opportunities for large-case BOLI when market rates of new investments accommodate required returns. Accordingly, these sales results will vary widely between periods.

Revenues include traditional insurance premiums, policy charges, and investment income. Individual revenues increased \$10.3 or 2.5% over the second quarter of 2000 and \$12.5 or 1.5% over the first half of 2000, primarily due to growth in average UL policyholder fund balances of 4.6% and 4.1% over the second quarter and first half of 2000. Average VUL separate account assets declined 9.4% and 3.4% over the second quarter and six months of 2000 primarily due to the drop in the equity markets.

Individual traditional premiums decreased 5.7% and 10.5% from second quarter and first half of 2000 as a result of a decrease in traditional business in force and certain reclassifications made during the integration of Guarantee. Policy charges, which include mortality, expense and surrender charges, improved 4.3%

and 3.8% over the second quarter and first six months of 2000. 2001's increase

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is a result of the growth of the UL-type business in force.

Net investment income increased \$7.5 or 3.6% and \$13.8 or 3.3% over the second quarter and first six months of 2000, following the growth in policyholder funds. The portfolio yield on traditional assets increased 5 basis points to 7.79% and 4 basis points to 7.80% from the second quarter and first six months of 2000. The average investment spread on UL products (calculated as the difference between portfolio yields earned on invested assets less interest credited to policyholder funds, assuming the same level of invested assets) increased 5 basis points to 2.01% and 3 basis points to 1.98% from the second quarter and six months of 2000. In addition to being impacted by portfolio yields and crediting rates, interest spreads may vary over time due to competitive strategies and changes in product design.

Policy benefits increased 2.6% and 2.8% from the second quarter and six months of 2000. Traditional policy benefits were 107.9% versus 109.9% of premiums in the second quarter and 110.7% versus 104.7% for the first six months of 2001 and 2000. The increase for the first half 2001 was primarily due to reclassification of benefits reported in 2000 related to the integration of Guarantee which is consistent with JP's classification of expenses. Policy benefits on UL-type products (annualized) increased to 6.9% and 7.1% of average policyholder funds and separate accounts versus 6.7% and 6.9% in the second quarter and six months of 2000. Policy benefits include interest credited to policyholder accounts on UL-type products, whereas premium receipts on these products are credited directly to policyholder accounts and not recorded as revenues.

Total expenses (including the net deferral and amortization of policy acquisition costs) decreased 8.8% and 8.7% from the second quarter and six months of 2000. The decline is due to the benefit derived from the Guarantee integration which includes some miscellaneous expense reductions and reclassifications, continued discipline in regards to general and administrative cost management and reduced DAC amortization. Expenses on individual traditional products were 30.4% of premiums in the second quarter and six months of 2001. For UL-type products, annualized expenses as a percentage of policyholder funds and separate accounts were 2.3% in the second quarter and six months of 2001 versus 2.6% for the second quarter and six months of 2000.

Average Individual Products assets grew 1.9% over the second quarter and six months of 2000. 2001's growth was due to sales of UL-type products and growth in existing policyholder funds from interest credited, partially offset by VUL equity declines. The annualized return on average Individual Products assets was 2.02% versus 1.85% and 1.94% versus 1.86% for the second quarter and six months of 2001 and 2000, as reportable segment results have grown faster than the growth in assets.

ANNUITY AND INVESTMENT PRODUCTS

Annuity and Investment Products, including variable annuity products, are marketed through most distribution channels discussed in the Individual Products segment as well as through financial institutions, investment professionals and annuity marketing organizations. JP's full service broker/dealer markets variable life insurance and variable annuities written by our insurance subsidiaries, and also sells other securities and mutual funds.

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Reportable segment results were:

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	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Policy charges, premiums and other considerations	\$ 4.1	\$ 7.7	\$ 8.5	\$ 13.9
Net investment income	127.4	119.0	257.8	235.8
Concession and other income	27.9	27.1	53.6	52.7
Total revenues	159.4	153.8	319.9	302.4
Policy benefits Expenses	90.2 39.7	83.6 40.3	181.1 77.4	165.4 74.8
Total benefits and expenses	129.9	123.9	258.5	240.2
Reportable segment results before income taxes	29.5	29.9	61.4	62.2
Provision for income taxes	10.4	10.5	21.6	21.9
Reportable segment results	\$ 19.1	\$ 19.4	\$ 39.8	\$ 40.3

Reportable segment results decreased \$0.3 or 1.5% and \$0.5 or 1.2% from the second quarter and first six months of 2000 due to a drop in earnings of the broker/dealer. The cumulative effect of the change in accounting for derivatives of \$1.5 after tax was included in reportable segments of AIP in the first quarter 2001. The following table summarizes key information for AIP:

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Fixed annuity premium sales	\$ 226.4	\$ 284.4	\$ 493.3	\$ 509.0
Variable annuity premium sales	6.6	27.2	17.0	57.7
	\$ 233.0	\$ 311.6	\$ 510.3	\$ 566.7
Average policyholder fund balances	\$6,651.9	\$6,233.0	\$6,627.8	\$6,230.2
Average separate account policyholder fund balances	552.6	721.9	550.0	708.4
	\$7,204.5	\$6,954.9	\$7,177.8	\$6,938.6
Investment product sales	\$ 733.5	\$ 850.4	\$1,464.6	\$1,751.7
Average assets	\$7,810.9	\$7,505.5	\$7,726.1	\$7,484.9

Fixed and variable annuity premium sales in the prior year have been reclassified to conform with the presentations adopted in the current quarter.

Annuity revenues are derived from investment income on segment assets, policy charges, and concession income earned on investment product sales by Jefferson Pilot Securities Corporation (JPSC), a registered broker/dealer, and related entities. Revenues increased 3.6% and 5.8% over the second quarter and first six months of 2000. The adoption of FASB 133 caused a one time increase to net

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investment income of \$2.3 in the first quarter 2001 as the derivatives utilized by the Company giving rise to the change were primarily associated with AIP products. Fixed annuity sales decreased 20.4% and 3.1% from the second quarter and first six months of 2000 due to lower prevailing interest rates, competition (especially from new products), and continued pricing discipline. In total,

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fixed and variable annuity sales decreased by 25.2% and 10.0% from the second quarter and first half of 2000, also reflecting the weaker equity markets. Fixed annuity benefits and surrenders as a percentage of beginning fund balances decreased to 14.2% versus 24.5% and 15.4% versus 22.5% from the second quarter and first six months of 2000. Fixed annuities experienced a lower lapse rate, reflecting the combined efforts of lower interest rates on competing investments, increased surrender charge protection on our in-force block of business, and internal conservation initiatives. The surrender rate in the AIP segment is influenced by many factors, including the portion of the business that has low or no remaining surrender charges, and competition from other annuity products including those which pay interest rate bonuses and from other investment products. Fund balances with 5% or more surrender charges, including payout annuities, increased to 42% versus 35% at June 30, 2001 and 2000. JP maintains asset/liability management practices that reflect the characteristics of the AIP liabilities. Concession and other income increased 3.0% and 1.7% from the second quarter and first six months of 2000.

Total AIP benefits and expenses increased 4.8% and 7.6% over the second quarter and first six months of 2000 primarily due to interest credited consistent with the growth of the fund balances. Annualized policy benefits, which are mainly comprised of interest credited to policyholder accounts, as a percentage of average policyholder fund balances remained constant at 5.4% in the second quarter and were 5.5% versus 5.3% in the first six months of 2001 and 2000. Effective spreads declined to 1.94% from 2.18% and 2.02% from 2.17% in the second quarter and first six months of 2000 due to continued strong sales of

JP's lower commission five-year product, which carries a lower spread requirement; competition; and higher crediting rates on new products than on annuities being surrendered.

Total AIP expenses decreased 1.5% and increased 3.5% from the second quarter and first six months of 2000. The decrease/increase in expenses from period to period results from a change in DAC amortization relative to the actual lapse rates experienced during the periods.

AIP posted annualized returns on average assets of 0.98% versus 1.03% and 1.03% versus 1.08% for the second quarter and first six months of 2001 and 2000.

The combined earnings of the broker/dealer and related entities which are included in the segment results were \$0.4 versus \$1.3 and \$1.4 versus \$3.0 for the second quarter and first six months of 2001 and 2000.

BENEFIT PARTNERS

The Benefit Partners segment offers group non-medical products such as term life, disability and dental insurance to the employer marketplace. These products are marketed primarily through a national distribution system of regional group offices. These offices develop business through employee benefit brokers, third party administrators and other employee benefit firms.

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The six months ended June 30, 2001 reflect JP's operational integration of the prior JP Life group life and disability operations into Guarantee's Omaha, Nebraska life, disability and dental operations.

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Reportable segment results were:

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Premiums and other considerations	\$ 130.9	\$ 119.3	\$ 260.2	\$ 235.2
Investment income, net of expenses	13.4	12.7	26.7	25.1
Total revenues	144.3	132.0	286.9	260.3
Policy benefits	96.5	87.4	192.2	171.8
Expenses	31.6	30.9	62.6	62.2
Total benefits and expenses	128.1	118.3	254.8	234.0
Reportable segment results before income taxes	16.2	13.7	32.1	26.3
Provision for income taxes	5.7	4.8	11.2	9.1
Reportable segment results	\$ 10.5	\$ 8.9	\$ 20.9	\$ 17.2

Benefit Partners reportable segment results increased \$1.6 or 18.0% and \$3.7 or 21.5% over the second quarter and first six months of 2000. The following table summarizes key information for Benefit Partners:

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Life, Disability, and Dental:				
Annualized sales	\$ 32.8	\$ 25.3	\$ 79.3	\$ 63.7
Loss ratio	72.0%	70.5%	72.5%	71.9%
Total expenses, % of premiums and equivalents	24.1%	25.8%	24.1%	26.0%
Average assets	\$ 734.6	\$ 710.3	\$ 727.3	\$ 683.2
Premium income	\$ 130.9	\$ 119.7	\$ 259.4	\$ 238.6

Benefit Partners revenues increased \$12.3 or 9.3% and \$26.6 or 10.2% over the second quarter and first six months of 2000, including premium growth of \$11.6

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or 9.7% and \$25.0 or 10.6% over the second quarter and first six months of 2000. Premium income increased 9.4% and 8.7% over the second quarter and first six months of 2000. Annualized sales growth for the core life, disability and dental lines of business was \$7.5 or 29.6% and \$15.6 or 24.5% over the second quarter and first six months of 2000. The increase in revenue is due to continued favorable sales growth combined with satisfactory persistency in the non-medical business; offset somewhat by the impact of the exit from the excess loss medical business.

Policy benefits increased 10.4% and 11.9% over the second quarter and first six months of 2000 which is consistent with the growth of business in force. The

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life, disability and dental incurred loss ratio was 72.0% versus 70.5% and 72.5% versus 71.9% in the second quarter and first six months of 2001 and 2000.

Total expenses (including the net deferral and amortization of policy acquisition costs) decreased 2.3% and 0.6% in the second quarter and first six months of 2001. As a percentage of premiums and equivalents, total expenses decreased to 24.1% versus 25.8% and 24.1% versus 26.0% for the second quarter and first six months of 2001 and 2000. This favorable expense trend is due in part to the integration of JP's and Guarantee's group operations and deferral of first year expenses on profitable Dental products.

COMMUNICATIONS

JPCC operates radio and television broadcast properties and produces syndicated sports and entertainment programming. Reportable segment results were:

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Communications revenues (net)	\$ 48.3	\$ 49.8	\$ 98.9	\$103.2
Operating costs and expenses	28.0	28.6	61.8	61.9
Broadcast cash flow	20.3	21.2	37.1	41.3
Depreciation and amortization	2.7	2.9	5.5	5.7
Corporate general and administrative expenses	2.0	1.4	3.3	2.7
Net interest expense	1.1	1.2	2.2	2.4
Operating revenue before income taxes	14.5	15.7	26.1	30.5
Provision for income taxes	5.8	6.5	10.6	12.5
Reportable segment results	\$ 8.7	\$ 9.2	\$ 15.5	\$ 18.0

Reportable segment results decreased 5.4% and 13.9% compared to the second quarter and first six months of 2000. The company continued to experience a decline in demand for advertising, due to a general softening of the economy in all markets.

Combined revenues for Radio and Television decreased 3.5% and 5.3% from the second quarter and first six months of 2000. Disregarding political revenues, Radio and Television decreased 2.7% and 4.0% from the second quarter and first

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six months of 2000. This decline is primarily attributable to decreases in national sales, due to slowing economic conditions.

Broadcast cash flow decreased by 4.2% and 10.2% from the second quarter and first six months of 2000.

Total expenses, excluding interest expense, decreased 0.6% in the second quarter and increased 0.4% for the first six months of 2001. Expenses, excluding interest expense, as a percent of communication revenues were 67.7% versus 66.1% and 71.4% versus 68.1% for the second quarter and first six months of 2001 and 2000. The increase as a percentage of revenues is mainly attributable to the decrease in revenues, while expenses have been held relatively flat year to year.

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CORPORATE AND OTHER

The following table summarizes operating results for this segment:

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Earnings on investments	\$ 23.0	\$ 26.2	\$ 47.3	\$ 51.5
Interest expense on debt and Exchangeable Securities	(8.3)	(9.2)	(16.8)	(18.1)
Operating expenses	(10.2)	(5.2)	(17.4)	(12.7)
Federal and state income tax expense	1.6	(2.0)	3.7	(3.4)
	6.1	9.8	16.8	17.3
Dividends on Capital Securities and mandatorily redeemable preferred stock	(6.2)	(6.1)	(12.3)	(12.3)
Reportable segment results	(0.1)	3.7	4.5	5.0
Realized investment gains	19.5	20.0	56.0	51.3
Reportable segment results, including realized gains	\$ 19.4	\$ 23.7	\$ 60.5	\$ 56.3

The following table summarizes assets assigned to this segment:

	June 30 2001	June 30 2000
Parent company, passive investment companies and Corporate line assets of insurance subsidiaries	\$1,630	\$1,599
Unrealized gain (loss) on fixed interest investments	52	(246)
Co-insurance receivables on acquired blocks	1,138	1,251
Employee benefit plan assets	364	342
Goodwill arising from insurance acquisitions	275	263
Other	303	257
Total	\$3,762	\$3,466

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Total assets for the Corporate and Other segment increased 8.6% from the first six months of 2000, primarily due to increases in market values of Available for Sale securities. Unrealized gains and losses on all Available for Sale fixed income securities are assigned to this segment, and increased \$298 from June 30, 2000. The increase is primarily the result of declining market interest rates.

Reportable segment results including realized gains decreased 17.7% and increased 7.6% from the second quarter and first six months of 2000. These amounts reflect an increase in stock repurchase activity primarily toward the end of the first quarter 2001, resulting in lower investment earnings in the second quarter of 2001, a decrease in interest expense due to lower borrowing rates, and an increase in corporate expenses. These expenses were primarily for the Company's national advertising campaign and consulting fees associated with implementation of the Premier Partnering strategic initiative which together were \$6 and will not be repeated in the second half of 2001. Investment earnings decreased 12.2% and 8.2% from the second quarter and first six months of 2000. Interest expense on debt and exchangeable securities decreased \$0.9

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and \$1.3 from the second quarter and first six months of 2000, as a result of lower average interest rates year over year. Operating expenses increased 96.2% and 37.0% over the second quarter and first six months of 2000 as described above. Federal and state income tax expense includes the tax benefit of preferred dividends on Capital Securities, which are recorded gross of related tax effects. Federal and state income taxes decreased \$3.6 and \$7.1 from the second quarter and first six months of 2000 due primarily to the implementation of strategies that reduced the federal income tax on investment earnings and the resolution of tax issues for which we had previously established reserves.

The results of this segment fluctuate from quarter to quarter due to expenses associated with strategic activities, share repurchases, tax strategies, advertising expenses, income recorded on equity method investments, and transfers of assets to and from business segments, as well as refinements in asset assignments and investment income allocation methodologies to other reportable segments.

FINANCIAL POSITION, CAPITAL RESOURCES AND LIQUIDITY

JP's primary resources are investments related to its Individual Products, AIP and Benefit Partners segments, properties and other assets utilized in all segments and investments backing corporate capital. The Investments section reviews the Company's investment portfolio and key strategies.

Total assets increased \$587 or 2.1% during the first six months of 2001, reflecting growth in income, policyholder contract deposits and investments. These favorable influences were partially offset by cash dividends paid to stockholders.

The Individual Products, AIP and Benefit Partners segments defer the costs of acquiring new business, including commissions, first year bonus interest, certain costs of underwriting and issuing policies, and agency office expenses (referred to as DAC). Net amounts deferred were \$1,320 at June 30, 2001, an increase of 8.3% over December 31, 2000.

Value of business acquired (VOBA) represents the actuarially-determined present value of future gross profits of each business acquired. VOBA was \$702 at June 30, 2001, down 5.0% from year end due to amortization.

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Goodwill (cost of acquired businesses in excess of the fair value of net assets) was \$318 at June 30, 2001 and \$323 at December 31, 2000 with the decrease due to amortization. Goodwill as a percentage of shareholders' equity was 9.7% and 10.2% at June 30, 2001 and December 31, 2000.

Carrying amounts of goodwill, VOBA and DAC are regularly reviewed for indications of value impairment, with consideration given to the financial performance of acquired properties, future gross profits of insurance in force and other factors.

At June 30, 2001 and December 31, 2000, JP had reinsurance receivables of \$936 and \$947 and policy loans of \$182 and \$184 which are related to the businesses of JP Financial that were coinsured with Household International (HI) affiliates. HI has provided payment, performance and capital maintenance guarantees with respect to the balances receivable. JP regularly evaluates the financial condition of its reinsurers and monitors concentrations of credit risk

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related to reinsurance activities. No significant credit losses have resulted from reinsurance activities during 2001 and 2000.

CAPITAL RESOURCES

Stockholders' Equity

JP's capital adequacy is illustrated by the following table:

	June 30 2001	December 31 2000
Total assets less separate accounts	\$25,690	\$25,010
Total stockholders' equity	\$ 3,289	\$ 3,159
Ratio of stockholders'equity to assets	12.8%	12.6%

The ratio of equity to assets has increased slightly primarily due to changes in unrealized gains on securities, partially offset by stock repurchases. Stockholders' equity increased \$130 over December 31, 2000 due to net changes in values of Available for Sale securities and net income less dividends paid. Common shares outstanding reflected repurchases during the first six months of 2001 of \$96 (2,227,500 shares at an average cost of \$43.03 per share), which decreased equity. In February 2001, JP's Board of Directors updated its ongoing share repurchase authorization to cover 5 million shares of common stock, and the Company intends to continue to make opportunistic repurchases.

JP considers existing capital resources to be more than adequate to support the current level of its business activities. The business plan places priority on redirecting certain capital resources invested in bonds and stocks into its core businesses, which would be expected to produce higher returns over time.

The Individual Products, AIP and Benefit Partners segments are subject to regulatory constraints. The Company's insurance subsidiaries have statutory surplus and risk based capital levels well above required levels. These capital levels together with the rating agencies' assessments of the Company's business strategies have enabled the major life insurance affiliates to attain the

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following claims paying ratings:

	JP Life	JPFIC	JPLA
	-----	-----	-----
A.M. Best	A++	A++	A++
Standard & Poor's	AAA	AAA	AAA
Fitch	AAA	AAA	AAA

Debt and Exchangeable Securities

Commercial paper outstanding was \$538 and \$405 at June 30, 2001 and December 31, 2000 with weighted average interest rates of 5.56% and 6.21%. The increase in commercial paper is due to the share repurchases and an opportunistic ability to purchase higher yielding securities. The maximum amount outstanding during the

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first six months of 2001 was \$565 versus \$525 during the year ended December 31, 2000.

JP insurance subsidiaries have sold U.S. Treasury obligations and collateralized mortgages under repurchase agreements involving various counterparties, accounted for as financing arrangements. Repurchase agreements outstanding were \$284 and \$397 at June 30, 2001 and December 31, 2000. Proceeds are used to purchase securities with longer durations as an asset/liability management strategy. The maximum amounts outstanding were \$373 and \$467 during the first six months of 2001 and in 2000 as the portion used to help fund the Guarantee acquisition was repaid. The securities involved had a fair value and amortized cost of \$290 and \$281, and \$415 and \$404, as of June 30, 2001 and December 31, 2000.

At June 30, 2001 and December 31, 2000, the Company had \$150 and \$139 Exchangeable securities and other debt outstanding, reflecting the Mandatorily Exchangeable Debt Securities (MEDS). Additionally, \$300 of guaranteed preferred beneficial interest in subordinated debentures (Capital Securities) remained outstanding at June 30, 2001.

At June 30, 2001 and December 31, 2000, net advances from subsidiaries were \$393 and \$346, all of which are eliminated in consolidation.

While the Company has no commitments for additional financing, additional funds may be borrowed to finance acquisitions or for other corporate purposes.

LIQUIDITY

Liquidity requirements are met primarily by positive cash flows from the operations of subsidiaries. Overall sources of liquidity are sufficient to satisfy operating requirements. Primary sources of cash from the insurance operations are premiums, other insurance considerations, receipts for policyholder accounts, investment sales and maturities and investment income. Primary uses of cash include purchases of investments, payment of insurance benefits, operating expenses, withdrawals from policyholder accounts, costs related to acquiring new business, and income taxes. Primary sources of cash from the Communications operations are revenues from advertising. Primary uses of cash include payment of agency commissions, cost of sales, operating expenses and income taxes.

Cash provided by operations was \$358 and \$199 for the first six months of 2001

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and 2000. The increase of \$159 reflects changes in payables and receivables related to the timing of investment commitments net of higher policy acquisition costs.

Net cash used in investing activities was \$479 and \$277 for the first six months of 2001 and 2000, with the increase due to the timing of investment commitments and opportunistic purchases of higher yielding securities funded by commercial paper issuance.

Net cash provided by financing activities was \$148 and \$68 for the first six months of 2001 and 2000. Cash inflows from policyholder contract deposits net of withdrawals were \$309 and \$205 for the first six months of 2001 and 2000. The 2001 increase is a result of a decrease in annuity surrenders. Short-term borrowings (including commercial paper and repurchase agreements) increased by \$20 for the first six months of 2001.

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In order to meet the parent company's dividend payments, debt servicing obligations and other expenses, internal dividends are received from subsidiaries. Total internal cash dividends paid to the parent from its subsidiaries during the first six months were \$155 in 2001 and \$379 in 2000, from JP Life, JPFIC and JPCC. The Company's life insurance subsidiaries are subject to laws in the states of domicile that limit the amount of dividends that can be paid without the prior approval of the respective State's Insurance Commissioner. The Company has no reason to believe that such approval will be withheld.

Cash and cash equivalents were \$53 and \$26 at June 30, 2001 and December 31, 2000. Additionally, fixed income and equity securities held by the parent company and non-regulated subsidiaries were \$576 at June 30, 2001 and \$549 at December 31, 2000. These securities, including \$150 (at June 30, 2001) of Bank of America Corporation common stock which supports the MEDS, are considered to be sources of liquidity to support the Company's strategies.

Total debt and equity securities Available for Sale at June 30, 2001 and December 31, 2000 were \$13,793 and \$13,529.

INVESTMENTS

JP's strategy for managing the insurance investment portfolio is to dependably meet pricing assumptions while achieving the highest possible after-tax returns over the long term. Cash flows are invested primarily in fixed income securities. The nature and quality of investments held by insurance subsidiaries must comply with state regulatory requirements. The Company has a formal investment policy that governs overall quality and diversification.

The carrying value of JP's holdings were as follows:

	June 30, 2001		December 31, 2000	
Publicly-issued bonds	\$12,443	58.7%	\$12,006	58.5%
Privately-placed bonds	4,123	19.5	4,073	19.8
Mortgage loans on real property	2,891	13.6	2,771	13.5
Common stock	558	2.6	549	2.7
Policy loans	938	4.4	923	4.5
Preferred stock	31	0.2	31	0.2
Real estate	134	0.6	135	0.7
Other	15	0.1	11	-

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Cash and equivalents	53	0.3	26	0.1
	-----	-----	-----	-----
Total	\$21,186	100.0%	\$20,525	100.0%
	=====	=====	=====	=====

Certain amounts reported in the prior years schedule of privately-placed and publicly-issued assets have been reclassified to conform with the presentation adopted in the current year.

The strategy of identifying market sectors and niches that provide investment opportunities to meet the portfolios' growth, quality and yield requirements could result in changing percentages of private placements and commercial mortgage loans.

JP's Investment Policy Statement requires an average quality fixed income portfolio (excluding mortgage loans) of "A" or higher. Currently, the average

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quality is "A1". The Policy also imposes limits on the amount of lower quality investments and requires diversification by issuer and asset type. The amount of "below-investment grade" bonds increased this quarter as a result of several downgrades, yet it remains near JP's investment parameters. The Company monitors "higher risk" investments for compliance with the Policy and for proper valuation. Securities that experience other than temporary declines in value are adjusted to net realizable values through a charge to earnings. Commercial mortgage loans in foreclosure are carried at the net present value of expected future cash flows.

Carrying amounts of investments categorized as "higher risk" assets were:

	June 30, 2001		December 31, 2000	
	-----	-----	-----	-----
Bonds near or in default	\$ 44	0.2%	\$ 21	\$ 0.1%
Bonds below investment grade	866	4.1	751	3.7
Mortgage loans 60 days delinquent or in foreclosure	4	-	1	-
Mortgage loans restructured	10	0.1	10	-
Foreclosed properties	2	-	2	-
	-----	-----	-----	-----
Sub-total, "higher risk assets"	926	4.4	785	3.8
All other investments	20,260	95.6	19,740	96.2
	-----	-----	-----	-----
Total cash and investments	\$21,186	100.0%	\$20,525	100.0%
	=====	=====	=====	=====

The Policy permits use of derivative financial instruments such as futures contracts and interest rate swaps in conjunction with specific direct investments. Actual use of derivatives has been limited to managing well-defined interest rate risks and equity indexed risks associated with certain annuity products. Interest rate swaps with a current notional value of \$183 were open as of June 30, 2001. There were no terminations of derivative financial instruments in the first six months of 2001. Effective January 1, 2001, the Company adopted SFAS 133, "Accounting for Derivative Instruments and for Hedging Activities".

Mortgage backed securities (including Collateralized Mortgage Obligations) at June 30, which are included in debt securities Available for Sale, were as follows:

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	June 30 2001	December 31 2000
	-----	-----
Federal agency issued mortgage backed securities	\$2,648	\$2,492
Corporate private-labeled mortgage backed securities	2,292	2,230
	-----	-----
Total	\$4,940	\$4,722
	=====	=====

The Company's investment strategy with respect to mortgage backed securities focuses on actively traded, less volatile issues that produce relatively stable cash flows. The majority of mortgage backed security holdings are sequential and planned amortization class tranches of federal agency issuers. The mortgage backed security portfolio has been constructed with underlying mortgage collateral characteristics and structure in order to lower cash flow volatility over a range of interest rate levels.

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MARKET RISK EXPOSURES

With respect to the Company's exposure to market risks, see management's comments in the 2000 Form 10-K. During the first six months of 2001, interest rates declined 125 basis points more than the projected range of interest rates utilized in the sensitivity analysis in Form 10-K. The analysis of the impact on estimated earnings resulting from an additional decrease of 125 basis points over that utilized in Form 10-K would consist primarily of two components: (1) short-term debt (including commercial paper and repurchase agreements) and (2) the insurance portfolio. The decrease of 225 basis points in short-term interest rates since year-end has not been fully reflected in the first six months of 2001 as the majority of the short-term debt rolled over before the full rate reductions were in effect. As the majority of short-term debt rolls over during the second half of the year, current rates indicate a reduction of approximately \$4 after tax from the first half's interest expense total. The insurance portfolio, however, would not be significantly impacted by an additional decrease in interest rates of 125 basis points above the amount utilized in Form 10-K based upon the predominately interest-sensitive insurance portfolio and asset/liability strategies employed by the Company. Management believes that the 20% hypothetical decline in the equity market remains reasonably possible in the near term.

EXTERNAL TRENDS AND FORWARD LOOKING INFORMATION

With respect to economic trends, inflation and interest rate risks, environmental liabilities and the regulatory and legal environment, see management's comments in the 2000 Form 10-K.

Forward Looking Information

You should note that this document and our other SEC filings reflect information that we believe was accurate as of the date the respective materials were made publicly available. Thus they do not reflect later developments.

As a matter of policy, Jefferson Pilot does not normally make projections or forecasts of future events or our performance. When we do, we rely on a safe harbor provided by the Private Securities Litigation Reform Act of 1995 for statements that are not historical facts, called forward looking statements. These may include statements relating to our future actions, sales and product development efforts, expenses, the outcome of contingencies such as legal proceedings, or financial performance. An example would be our forecast of the

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anticipated earnings contribution over time from our Guarantee acquisition.

Certain information in our SEC filings and in any other written or oral statements made by JP or on our behalf, involves forward looking statements. We have used appropriate care in developing this information, but any forward looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties that could significantly affect our actual results. These risks and uncertainties include, among others, the risks that JP might fail to successfully complete strategies for cost reductions, including anticipated expense savings and operating efficiencies from the integration of Guarantee, and for growth in sales of products through all distribution channels. Other uncertainties include general economic conditions, competitive factors, including pricing pressures, technological developments, new product offerings and the emergence of new competitors, interest rate trends and fluctuations, and changes in federal and state tax (including estate tax), financial services industry or other laws and regulations and their impact.

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We undertake no obligation to publicly correct or update any forward looking statements, whether as a result of new information, future developments or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our press releases and filings with the SEC. In particular, you should read the discussion in the section entitled "External Trends and Forward Looking Information," and other sections it may reference, in our most recent 10-K report to the SEC, as it may be updated in our subsequent 10-Q and 8-K reports. That discussion covers certain risks, uncertainties and possibly inaccurate assumptions that could cause our actual results to differ materially from expected and historical results. Other factors besides those listed there could also adversely affect our performance.

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PART II. OTHER INFORMATION JEFFERSON-PILOT CORPORATION

Item 1. Legal Proceedings

The registrant is involved in various claims and lawsuits incidental to and in the ordinary course of its business. In the opinion of management, the ultimate liability will not have a material effect on the financial condition or liquidity of the Company, but could have a material adverse effect on the results of operations for a specified period.

Item 4. None not previously reported

Item 6. Exhibits and Reports on Form 8-K

(a) Reports of Form 8-K

There were none filed during the second quarter of 2001.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the

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registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JEFFERSON-PILOT CORPORATION

By (Signature) /s/Dennis R. Glass
(Name and Title) Dennis R. Glass, Executive Vice President,
Chief Financial Officer and Treasurer

Date August 14, 2001

By (Signature) /s/Reggie D. Adamson
(Name and Title) Reggie D. Adamson, Senior Vice President - Finance
(Principal Accounting Officer)

Date August 14, 2001

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