

ety of insurance and investment products. 2003 pre-tax income derived from: individual life, 49%; acquisitions, 29%; guaranteed investment contracts, 15%; investment products, 5%; credit insurance and service contracts, d4%; and other, 6%. Acquired West

1.3% of common stock; AmSouth Bancorp., 6.5% (3/04 proxy). Chairman, President & CEO: John D. Johns. Incorporated: Delaware. Address: 2801 Highway 280 South, Birmingham, AL 35223. Telephone: 205-268-1000. Internet: www.protective.com

4759.8 23215.5 Total Liab. 20212.4 22571.8 **ANNUAL RATES** Est'd '01-'03 Past Past 5 Yrs. 3.0% 9.0% 6.5% 8.5% to '07-'09 8.5% 6.5% 10.5% of change (per sh) Premium Inc 10 Yrs. 6.0% 10.5% 11.5% Invest Income Earnings Dividends Book Value 16.5% 15.0% 10.0% Cal-QUARTERLY INCOME (\$ mill.)

3198.1

Total Assets

Policy Claims Other

Reserves

21953.0 24574.0

17014.3 18048.7

4523.1

25417.7

18455.7

Cai-	QUARTERET INCOME (\$ IIIII.)				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2001	411.8	382.4	407.3	412.7	1614.2 <sup>E</sup>
2002	466.2	454.1	548.8	445.4	1914.5
2003	480.7	495.1	461.6	449.5	1886.9
2004	496.5	505	485	468.5	1955
2005	510	520	520	480	2030
Cal-	EARNINGS PER SHARE A Full				
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2001	.61	.46	.56	.38	2.01E
2002	.63	.65	.65	.50	2.43
2003	.65	.67	.70	.77	2.79
2004	.80	.78	.77	.80	3.15
2005	.84	.84	.85	.87	3.40
Cal-	QUARTERLY DIVIDENDS PAID B				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2000	.12	.13	.13	.13	.51
2001	.13	.14	.14	.14	.55
2002	.14	.15	.15	.15	.59
2003	.15	.16	.16	.16	.63
2004	16	175			

Life began 2004 Protective strong earnings momentum. It posted results of \$0.80 a share in the March period, \$0.05 above our estimate. The life insurance segment had a particularly strong quarter, with sales and operating income rising 13% and 37%, respectively. We attribute the success to the diverse mix of agents promoting PL's products. Notably, sales through independent agents increased over 20%, to \$13 million, while sales from stockbrokers were up 35%, to \$6 million. That said, higher reinsurance costs will probably cut into profitability in the coming quarters. All told, based largely on the stronger-than-expected earnings in the first quarter, we are raising our 2004 share-net estimate by a nickel, to \$3.15.

The company's asset protection segment, which derives most of its business from insuring vehicles after their leases expire, is on the right track. After posting operating losses of \$23 million and \$13 million in 2002 and 2003, respectively, the segment posted operating income of close to \$5 million in the March period. Based on management's more dis-

ciplined approach to policy writing over the past year, we believe the positive trend will continue.

The company is well prepared for a interest-rate rising environment. Several quarters ago, it started issuing fixed-rate, stable-value contracts rather than floating-rate products so as to preserve its interest-rate spread. Too, it recently refinanced its debt on a fixed-rate basis to avoid the volatility of short-term interest-rate swings.

The company is looking to make a few acquisitions. With \$150 million of available capital, a high-performing acquisition could raise PL's return on equity above our current projection of about 10%. Barring an acquisition, PL will likely use its excess funds to repurchase shares. In the meantime, the company recently upped its quarterly dividend by 10%, to \$0.175

These shares are an average choice for the next six to 12 months. But the PL's high rankings for Stock Price Stability and Earnings Predictability suggest that this issue is suitable for those investors with a more conservative bent. Stuart Plesser July 23, 2004

(A) Primary egs. through '96; diluted thereafter. Includes realized capital gains (losses): '01, (20¢); '00, (7¢); '99, (3¢); '98, 2¢; '96, 3¢; '94, 10¢; '93, 3¢; '91, (4¢); '90, (4¢); '98, 3¢. Ex-

cludes realized gains (losses): '04; \$0.12; '03, (28¢);'02, 9¢; '01, (54¢); '00, 32¢. Next earnings report due in late Oct. **(B)** Dividends historically paid in early March, June, Sept., and Excludes dental business, sold 1/02.

Company's Financial Strength Stock's Price Stability B++ 80 Price Growth Persistence **Earnings Predictability** 90

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