JEFFERSON PILOT CORP
Form 10-K
March 15, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark One)	
[X]	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended December 31, 2004**
	OR
[ ]	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the transition period from to**

Commission File Number 1-5955
JEFFERSON-PILOT CORPORATION
(Exact Name of Registrant as Specified in its Charter)

North Carolina	**100 North Greene Street, Greensboro, North Carolina 27401**	**56-0896180**
(State or Other Jurisdiction of Incorporation or Organization)	*(Address of Principal Executive Offices)*	*(I.R.S. Employer Identification No.)*

Registrant s Telephone Number, Including Area Code: 336-691-3000
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange(s) on Which Registered
Common Stock (Par Value $1.25)	New York, Midwest and Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes x No o

The aggregate market value of the voting and non-voting common equity held by nonaffiliates of the registrant at June 30, 2004 was approximately $6.9 billion. At March 1, 2005, 136.6 million shares of the registrant s common stock, par value $1.25 per share, were outstanding.

Documents Incorporated by Reference

Portions of the definitive Proxy Statement to be filed for the May 2, 2005 Annual Meeting of Shareholders are incorporated by reference into Part III.

List of Exhibits appears on page E-1.

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PART I

Item 1. ***Business***

(a) General Development of Business

Jefferson-Pilot Corporation (JP) was incorporated in North Carolina in 1968. While JP has broad powers to engage in business, it is solely a holding company. Our principal subsidiaries, which are wholly owned, are:

Jefferson-Pilot Life Insurance Company (JP Life),

Jefferson Pilot Financial Insurance Company (JPFIC),

Jefferson Pilot LifeAmerica Insurance Company (JPLA),

Jefferson Pilot Securities Corporation, a non-clearing NASD registered broker/dealer (with its subsidiaries, JPSC), and

Jefferson-Pilot Communications Company (with its subsidiaries, JPCC).

Through these and other subsidiaries, we primarily engage in the business of writing life insurance policies, writing annuity policies and selling other investment products, writing group life, disability income and dental policies, operating radio and television broadcasting facilities, and producing sports programming. Greensboro, North Carolina is the center for most operations, although a major base of operations in Concord, NH serves JPFIC, JPLA and our broker/dealers, and we conduct the group life, disability income and dental insurance operations primarily in JPFIC s offices in Omaha, Nebraska.

We provide further detail in Management s Discussion and Analysis of Financial Condition and Results of Operations which begins on page 11 (MD&A).

Over the past ten years we have made a number of acquisitions.

In May 1995, JP Life assumed certain life insurance and annuity business of Kentucky Central Life Insurance Company (KCL) in an assumption reinsurance transaction.

In October 1995, JP acquired Alexander Hamilton Life Insurance Company of America (AH Life) and its subsidiary, First Alexander Hamilton Life Insurance Company (FAHL), from a subsidiary of Household International, Inc. With the acquisition, certain blocks of the acquired business were 100% coinsured with affiliates of Household.

Effective May 1, 1997, JP acquired JPFIC, its subsidiary JPLA, and our principal broker/dealer, Jefferson Pilot Securities Corporation, from The Chubb Corporation.

On December 30, 1999, JP acquired Guarantee Life Insurance Company (GLIC) and its non-insurance affiliates.

On August 1, 2000, AH Life and GLIC merged into JPFIC. On December 31, 2000, FAHL merged into JPLA. These mergers reduced costs and improved efficiency in our insurance operations.

In March 2004, JPFIC acquired substantially all of the U.S. group life, disability income and dental insurance business of The Canada Life Assurance Company.

(b) Financial Information About Industry Segments

We present industry segment information in Note 15.

(c) Narrative Description of Business

Revenues derived from the principal products and services of our insurance subsidiaries and revenues from the Communications segment for the past three years are as follows:

Revenues by Segment*

	2004	2003	2002
		(In Millions)	
Individual Products	$ 1,780	$ 1,774	$ 1,737
Annuity and Investment Products	718	694	686
Benefit Partners	1,202	820	698
Communications	239	214	208
Corporate and Other	163	71	77
	$ 4,102	$ 3,573	$ 3,406

* Revenues include net investment income earned on assets backing insurance liabilities and line surplus for each reportable segment. Corporate and Other revenues include $41, ($47) and ($22) of realized gains (losses) for 2004, 2003 and 2002.

The following briefly describes our principal wholly-owned subsidiaries, including their principal products and services, markets and methods of distribution.

INSURANCE COMPANY SUBSIDIARIES

JP Life is domiciled in North Carolina and began business in 1903. It is authorized to write insurance in 49 states, the District of Columbia, Guam, the Virgin Islands and Puerto Rico. It primarily writes universal life insurance policies on an individual basis, and individual non-variable annuities including equity indexed annuities.

JPFIC has been domiciled in Nebraska since its redomestication from New Hampshire in August 2000. It began business in 1903 through predecessor companies, and is authorized to write insurance in 49 states, the District of Columbia, Guam, the Virgin Islands and Puerto Rico. It principally writes universal life, variable universal life and term insurance policies. JPFIC also writes substantially all our group term life, disability income and dental insurance.

JPLA, domiciled in New Jersey, began business in 1897. It is authorized to write insurance in 50 states, the District of Columbia and several U.S. possessions/territories. JPLA is commercially domiciled in New York due to the large percentage of its business in that state. It primarily writes universal life, variable universal life and term insurance policies, and non-variable annuities.

The former AH Life block of universal life insurance policies and variable and non-variable annuities is now part of JPFIC.

The former FAHL block of non-variable annuities and universal life insurance policies is now part of JPLA.

Individual Products. Our insurance subsidiaries offer individual life insurance policies, primarily universal life and variable universal life policies, as well as traditional life products and level and decreasing term policies. On most policies, accidental death and disability benefits are available in the form of riders, and IRA riders also are available, as are other benefits. We accept certain substandard risks at higher premiums.

Our companies market individual life products through independent general agents, independent national marketing organizations, agency building general agents, our district agency network, broker/dealers, banks and strategic alliances.

Annuity and Investment Products. Our insurance subsidiaries offer annuity and investment products. They market through most of the distribution channels discussed above and through investment professionals and annuity marketing organizations. Our broker/dealers market variable life insurance written by our insurance subsidiaries, and also sell other securities and mutual funds.

Benefit Partners. JPFIC offers group term life, disability income and dental insurance, which is sold through regional group offices throughout the U.S., marketing to employee benefit brokers, third-party administrators and employee benefit firms.

Other Information Regarding Insurance Company Subsidiaries

Regulation. Insurance companies are subject to regulation and supervision in all the states where they do business. Generally the state supervisory agencies have broad administrative powers relating to granting and revoking licenses to transact business, licensing agents, approving forms of policies used, regulating trade practices and market conduct, the form and content of required financial statements, reserve requirements, permitted investments, approval of dividends and, in general, the conduct of all insurance activities.

Insurance companies also must file detailed annual reports on a statutory accounting basis with the state supervisory agencies where each does business. See Note 11 regarding statutory accounting principles, including differences from GAAP accounting. These agencies may examine the business and accounts at any time. Under the rules of the National Association of Insurance Commissioners (NAIC) and state laws, the supervisory agencies of one or more states examine a company periodically, usually at three to five year intervals.

Various states, including Nebraska, New Jersey, New York and North Carolina, have enacted insurance holding company legislation. Our insurance subsidiaries have registered as members of an insurance holding company system under applicable laws. Most states require prior approval by state insurance regulators of transactions with affiliates, including dividends by insurance subsidiaries above specified limits, and of acquisitions of insurance companies.

Risk-based capital requirements and state guaranty fund laws are discussed in MD&A.

Competition. Our insurance subsidiaries operate in a highly competitive field which consists of a large number of stock, mutual and other types of insurers. Consolidation among producers and increasingly larger marketing organizations has heightened competition among insurance manufacturers who compete to distribute their products through these channels.

Certain insurance and annuity products also compete with other investment vehicles. Marketing of annuities and other competing products by banks and other financial institutions has increased. Our broker/dealers also operate in a highly competitive environment. Existing tax laws affect the taxation of life insurance and many competing products. Various changes and proposals for changes have been made in income and estate tax laws, some of which could adversely affect the taxation of certain products or their use as retirement or estate planning vehicles, or create new tax favored competing products, and thus impact our marketing and the volume of our policies surrendered.

Employees. As of December 31, 2004, our insurance operations including our broker/dealer employed approximately 3,000 persons and contracted with another approximately 600 agency building general agents (career agents) and home service agents who are statutory employees for FICA purposes. Substantially all of these employees are payrolled with JP Life and costs are allocated to affiliates under various service agreements that have been approved by state insurance regulators.

COMMUNICATIONS

JPCC owns and operates three television stations and operates 18 radio stations as well as Jefferson-Pilot Sports, a sports production and syndication business.

Television Operations

WBTV, Channel 3, Charlotte, NC, is affiliated with CBS under a Network Affiliation Agreement expiring on May 31, 2011. WWBT, Channel 12, Richmond, VA, is affiliated with NBC under a Network Affiliation Agreement expiring December 31, 2011. WCSC, Channel 5, Charleston, SC, is affiliated with CBS under a Network Affiliation Agreement expiring on May 31, 2011. Absent cancellation by either party, each of these Agreements will be renewed for successive five-year periods.

Radio Operations

JPCC owns and operates one AM and one FM station in Atlanta, GA, one AM and two FM stations in Charlotte, NC, two AM and three FM stations in Denver, CO and one AM and two FM stations in Miami, FL. In San Diego, CA, JPCC owns and operates three FM stations, owns one AM station now operated by a third party under a local marketing agreement (LMA) and operates one FM station under an LMA with the station s owner.

JP Sports

JP Sports principal business is to produce and syndicate broadcasts of Atlantic Coast Conference (ACC) and Southeastern Conference (SEC) football and basketball events. The contracts with the leagues were renewed in 2001 and extend through 2005 for ACC football and through 2006 with an option through 2011 for ACC basketball, and through 2009 for the SEC. Raycom Sports is an equal partner in the contract for ACC basketball. An agreement in principle has been reached with the ACC to modify the existing arrangement as a result of the expansion of the Conference. Among other modifications to the agreement, football will be extended beyond 2005 and Raycom Sports will become an equal partner in ACC football. We discuss the commitments under these contracts in MD&A and in Note 18.

Other Information Regarding Communications Companies

Competition. Our radio and television stations compete for programming, talent and revenues with other radio and television stations as well as with other advertising and entertainment media, including direct distribution cable and satellite television and direct transmission radio. JP Sports competes with other vendors of similar products and services.

Employees. As of December 31, 2004, JPCC employed approximately 775 persons full time.

Federal Regulation. Television and radio broadcasting operations are subject to the jurisdiction of the Federal Communications Commission (FCC) under the Communications Act of 1934, as amended (the Act). The Act empowers the FCC to issue, renew, revoke or modify broadcasting licenses, assign frequencies, determine the locations of stations, regulate the equipment used by stations, establish areas to be served, adopt necessary regulations, and impose certain penalties for violation of the regulations. The Act and present regulations prohibit the transfer of a license or of control of a licensee without prior approval of the FCC; restrict in various ways the common and multiple ownership of broadcast facilities; restrict alien ownership of licenses; and impose various other strictures on ownership and operation.

Broadcasting licenses are granted for a period of eight years for both television and radio and, in the absence of adverse claims as to the licensee s qualifications or performance, will normally be renewed by the FCC for an additional term. Renewals of some of our licenses are pending. See the Communications section in MD&A for more discussion about license renewals.

(d) Foreign Operations

All our operations are conducted within the United States. We occasionally make fixed income investments outside the U.S. for our investment portfolio.

(e) Available Information

JP makes available free of charge on or through our Internet website (http://www.jpfinancial.com) JP s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after JP electronically files this material with, or furnishes it to, the Securities and Exchange Commission.

(f) Risk Factors

Our businesses and our investments are subject to a number of risks, which are discussed in MD&A.

Item 2. *Properties*

JP Life owns its home office consisting of a 20-story building and an adjacent 17-story building in downtown Greensboro, NC. These buildings house insurance operations and provide space for commercial leasing. JP Life also owns a supply and printing facility, a parking deck and a computer center, all located on nearby properties.

JPFIC, JPLA and our broker/dealers conduct operations in Concord, NH in two buildings on approximately 196 acres owned by JPFIC. A portion of one building is available for commercial leasing.

JPFIC conducts operations in Omaha, NE in three buildings on its 11 acre campus. Portions of two buildings are leased to others. It also conducts some group operations in leased space in Atlanta, GA.

Subsidiaries lease insurance sales and broker/dealer office space in various jurisdictions.

JPCC owns its three television studios and office buildings, owns most of its radio studios and offices, and owns or leases the towers supporting its radio and television antennas.

Item 3. ***Legal Proceedings***

JP Life, as successor to Pilot Life Insurance Company, is a defendant in a proposed class action suit, *Thorn v. Jefferson-Pilot Life Insurance Company*, filed September 11, 2000 in the United States District Court in Columbia, SC. The complaint alleges that Pilot Life and its successors decades ago unfairly discriminated in the sale of certain small face amount life insurance policies and that these policies were unreasonably priced. The suit alleges fraudulent inducement, constructive fraud, and negligence in the marketing of these policies. The plaintiffs seek unspecified compensatory and punitive damages, costs and equitable relief. On December 2, 2004, the court issued an order denying Thorn s motion to certify a class. The Fourth Circuit Court of Appeals has agreed to hear Plaintiff s interlocutory appeal. While management is unable to estimate the probability or the range of any possible loss, management believes that our practices have complied with state insurance laws, and JP Life intends to vigorously defend the claims asserted.

JP and its subsidiaries are involved in other legal and administrative proceedings and claims of various types, including several proposed class action suits in addition to those noted above. Some suits include claims for punitive damages. Because of the considerable uncertainties that exist, we cannot predict the outcome of pending or future litigation. Based on consultation with our legal advisers, management believes that resolution of pending legal proceedings will not have a material adverse effect on our financial position or liquidity, but could have a material adverse effect on the results of operations for a specific period.

Environmental Proceedings. We have no material administrative proceedings involving environmental matters.

Item 4. ***Submission of Matters to a Vote of Securities Holders***

None.

Executive Officers of the Registrant

Dennis R. Glass, 55, President and Chief Executive Officer since March 1, 2004, and previously President and Chief Operating Officer since November 2001, joined JP in 1993. He was Executive Vice President, Chief Financial Officer and Treasurer from 1993 to November 2001. Previously, he was Executive Vice President and CFO of Protective Life Corporation, and earlier, of the Portman Companies.

Robert D. Bates, 63, became an Executive Vice President and President Benefit Partners of JP effective with the GLIC acquisition on December 30, 1999. He was President of GLIC from 1989 until the August 2000 merger of GLIC into JPFIC, and was Chairman, President and Chief Executive Officer of GLIC and its publicly held parent, The Guarantee Life Companies Inc., until December 30, 1999.

Charles C. Cornelio, 45, has been Executive Vice President Technology and Insurance Services since February 9, 2004, and previously he was Senior Vice President. He joined JP in 1997 when we acquired JPFIC from The Chubb Corporation.

Mark E. Konen, 46, has been Executive Vice President Life and Annuity Manufacturing since February 9, 2004, and previously he was Senior Vice President and also served as Corporate Actuary. He joined JP in 1994.

Warren H. May, 50, has been Executive Vice President Marketing and Distribution since he joined JP in October 2002. Mr. May joined Travelers Life & Annuity Company in Hartford, CT in November 1995 as Senior Vice President, leading the independent distribution sales and marketing team for life and annuity products, as well as the advanced sales attorneys, advertising/promotion professionals and technology support staff. Mr. May later assumed expanded responsibility including offshore life and qualified plan marketing. In his last role at Travelers he served as Chief Executive Officer of Travelers Life Distributors and Chairman of Tower Square Securities, Inc., Travelers independent broker dealer.

Donald L. McDonald, 42, has been Executive Vice President and Chief Investment Officer since he joined JP in November 2004. He was Executive Vice President and Chief Investment Officer of Conning Asset Management from 1991 to 2001.

Theresa M. Stone, 60, has been Chief Financial Officer of JP since November 2001, and also has been Executive Vice President of JP and President of JPCC since July 1, 1997. She also served as JP s Treasurer to May 2004 from November 2001. Previously she was President and Chief Executive Officer of JPFIC, and also was Executive Vice President of The Chubb Corporation to May 1997 when we acquired JPFIC.

There are no agreements or understandings between any executive officer and any other person pursuant to which such executive officer was or is to be selected as an officer. Executive officers hold office at the will of the Board, subject for Mr. Glass to his rights under his employment agreement listed as an exhibit to this Form 10-K.

PART II

Item 5. ***Market for Registrant s Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

(a) *Market Information.* JP common stock principally trades on the New York Stock Exchange. Quarterly composite tape trading ranges have been:

	2004		2003		2002		2001		2000	
	High	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**
First Quarter	55.08	48.97	40.93	35.75	53.00	45.23	49.67	41.00	45.42	33.25
Second Quarter	56.39	47.40	43.20	38.34	52.99	45.07	49.25	44.07	46.46	36.88
Third Quarter	50.20	47.01	46.57	41.21	47.50	36.75	49.00	38.00	47.21	37.83
Fourth Quarter	52.64	46.56	50.72	44.55	45.21	36.35	46.90	41.15	50.58	39.33

(b) *Holders.* As of March 1, 2005, our stock was owned by 8,560 shareholders of record, and a much larger number of street name holders.

(c) *Dividends.* They are shown in Item 6 below on page 8. Dividends to the Registrant from its insurance subsidiaries are subject to state regulation, as more fully described in MD&A.

(d) *Issuer Purchases of Equity Securities.*

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plans
October 1 31, 2004	0	$ 0.00	0	4,071,000
November 1 30, 2004	0	$ 0.00	0	4,071,000
December 1 31, 2004	0	$ 0.00	0	4,071,000
Total for Quarter	0	$ 0.00	0	

We have an ongoing authorization from our Board of Directors to repurchase shares of Jefferson Pilot s common stock in the open market or in negotiated transactions. The Board periodically has refreshed this authorization, to 5.0 million shares on February 9, 2004 and most recently to 5.0 million shares on May 24, 2004, and in each case we announced the Board s action in a press release.

In addition, two other types of Jefferson Pilot common stock transactions periodically take place that the SEC staff has suggested be reported here.

1. A Rabbi Trust buys shares with directors fee deferrals and with dividends received on shares held in the Trust. This arrangement is disclosed in our proxy statement. Trust purchases in the fourth quarter 2004 were: October, none; November, 3,549 shares, average price $48.61; and December, 493 shares, average price $50.13.

2.

Under our stock option plans, an optionee may exercise options by certifying to JP that the optionee owns sufficient JP common shares to pay the exercise price for the option shares being exercised. We then issue to the optionee common shares equal to the spread (profit) on the exercise, less required withholding taxes if the optionee so designates. The number of shares so used to pay option exercise prices in fourth quarter 2004 were: December, 80,460 shares, average price $52.26.

Item 6. ***Selected Financial Data***

REVENUE BY SOURCES

	2004	2003	2002	2001	2000
			(In Millions)		
Individual Products	$ 1,780	$ 1,774	$ 1,737	$ 1,682	$ 1,664
Annuities and Investment Products	718	694	686	647	629
Benefit Partners	1,202	820	698	602	537
Communications	239	214	208	195	206
Corporate and Other	122	118	99	130	134
Revenues before investment gains (losses) and cumulative effect of change in accounting principle	4,061	3,620	3,428	3,256	3,170
Realized investment gains (losses)	41	(47)	(22)	66	102
Cumulative effect of change in accounting for derivative instruments (1)				2	
Total Revenues	$ 4,102	$ 3,573	$ 3,406	$ 3,324	$ 3,272

NET INCOME BY SOURCES

	2004	2003	2002	2001	2000
			(In Millions)		
Individual Products	$ 302	$ 309	$ 293	$ 295	$ 287
Annuities and Investment Products	76	85	80	75	78
Benefit Partners	71	51	48	44	33
Communications	54	46	40	34	41
Corporate and Other	33	32	4	20	6
Total reportable segment results (3)	536	523	465	468	445
Realized investment gains (losses), net of taxes	27	(31)	(15)	44	67
Income before cumulative effects of changes in accounting principles	563	492	450	512	512
Cumulative effect of change in accounting for derivative instruments, net of taxes (1)				1	
Cumulative effect of change in accounting for long-duration contracts, net of taxes (2)	(17)				
Net Income	$ 546	$ 492	$ 450	$ 513	$ 512

(1) Effective January 1, 2001, the Company adopted SFAS Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended.

(2) Effective January 1, 2004, the Company adopted SOP 03-1, *Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts.*

(3) Reportable segment results is a non-GAAP measure. See discussion in the MD&A under the section heading, Results by Business Segment . Effective January 1, 2002, the Company ceased amortization of goodwill as a result of the adoption of a new accounting standard (See Note 2).

JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES
SUMMARY OF SELECTED FINANCIAL DATA

	2004	2003	2002	2001	2000
	(In Millions Except Share and Per Share Information)				
Income before cumulative effects of changes in accounting principles	$ 563	$ 492	$ 450	$ 512	$ 512
Cumulative effect of change in accounting for derivative instruments, net of taxes				1	
Cumulative effect of change in accounting for long-duration contracts, net of taxes	(17)				
Net income	$ 546	$ 492	$ 450	$ 513	$ 512
Per share information:					