21ST CENTURY INSURANCE GROUP
Form 10-Q
April 25, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 2002 Commission File Number 0-6964

21ST CENTURY INSURANCE GROUP

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| CALIFORNIA<br>(State or other jurisdiction of incorporation or organization) | 95-1935264<br>(I.R.S. Employer Identification number) |
| 6301 OWENSMOUTH AVENUE<br>WOODLAND HILLS, CALIFORNIA<br>(Address of principal executive offices) | 91367<br>(Zip Code) |
| (818) 704-3700<br>(Registrant's telephone number, including area code) | Web site: www.i21.com |

None

Former name, former address and former fiscal year, if changed since last report.

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 such filing requirements for the past 90 days.
Yes [X] No [_]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| | |
|---|---|
| Common Stock, Without Par Value<br>(Title of Class) | Outstanding at April 22, 2002<br>85,382,753 shares |



PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

21ST CENTURY INSURANCE GROUP

CONSOLIDATED BALANCE SHEETS

| AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA | MARCH 31, 2002 UNAUDITED | December 31, 2001 |
|---|---|---|
| ASSETS | | |
| Fixed maturity investments available-for-sale, at fair value (amortized cost: $867,436 and $857,209) | $ 859,963 | $ 855,724 |
| Cash and cash equivalents | 23,749 | 28,909 |
| Total investments and cash | 883,712 | 884,633 |
| Accrued investment income | 12,355 | 11,733 |
| Premiums receivable | 78,561 | 75,559 |
| Reinsurance receivables and recoverables | 42,051 | 40,138 |
| Prepaid reinsurance premiums | 19,034 | 15,444 |
| Deferred income taxes | 94,298 | 96,216 |
| Deferred policy acquisition costs | 28,003 | 24,662 |
| Software, property and equipment, at cost less accumulated depreciation of $71,286 and $66,462 | 178,439 | 178,672 |
| Other assets | 25,434 | 24,959 |
| Total assets | $1,361,887 | $ 1,352,016 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Unpaid losses and loss adjustment expenses | $ 352,627 | $ 349,290 |
| Unearned premiums | 236,875 | 236,473 |
| Claims checks payable | 39,353 | 36,105 |
| Reinsurance payable | 10,299 | 12,993 |
| Other liabilities | 65,893 | 57,849 |
| Total liabilities | 705,047 | 692,710 |
| Stockholders' equity: | | |
| Common stock, without par value; authorized 110,000,000 shares, outstanding 85,368,891 in 2002 and 85,361,848 in 2001 | 417,233 | 416,991 |
| Retained earnings | 250,330 | 248,635 |
| Accumulated other comprehensive loss | (10,723) | (6,320) |
| Total stockholders' equity | 656,840 | 659,306 |
| Total liabilities and stockholders' equity | $1,361,887 | $ 1,352,016 |

See accompanying notes to consolidated financial statements.



21ST CENTURY INSURANCE GROUP
CONSOLIDATED STATEMENTS OF INCOME
Unaudited

| AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA<br>Three Months Ended March 31, | 2002 | 2001 |
|---|---|---|

| | | |
|---|---|---|
| REVENUES | | |
| Net premiums earned: | | |
| Personal auto lines | $215,111 | $207,890 |
| Homeowner and earthquake lines in runoff | - | 6,721 |
| Net investment income | 11,265 | 11,726 |
| Realized investment gains | 1,663 | 1,116 |
| Total revenues | 228,039 | 227,453 |
| LOSSES AND EXPENSES | | |
| Net losses and loss adjustment expenses: | | |
| Personal auto lines | 181,777 | 183,438 |
| Homeowner and earthquake lines in runoff | 6,858 | 11,198 |
| Policy acquisition costs | 26,558 | 24,126 |
| Other operating expenses | 3,901 | 5,488 |
| Total losses and expenses | 219,094 | 224,250 |
| Income before federal income taxes | 8,945 | 3,203 |
| Federal income tax (expense) benefit | (622) | 1,719 |
| Net income | $ 8,323 | $ 4,922 |
| EARNINGS PER COMMON SHARE | | |
| Basic | $ 0.10 | $ 0.06 |
| Diluted | $ 0.10 | $ 0.06 |

See accompanying notes to consolidated financial statements.



21ST CENTURY INSURANCE GROUP
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Unaudited

| AMOUNTS IN THOUSANDS | Common Stock | Retained Earnings | Accumulated Other Comprehensive Loss | Total |
|---|---|---|---|---|
| Balance - January 1, 2002 | $416,991 | $ 248,635 | $ (6,320) | $659,306 |
| Comprehensive income (loss) | | 8,323(1) | (4,403)(2) | 3,920 |
| Cash dividends paid on common stock | | (6,829) | | (6,829 |
| Other | 242 | 201 | | 443 |
| Balance - March 31, 2002 | $417,233 | $ 250,330 | $ (10,723) | $656,840 |