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21ST CENTURY INSURANCE GROUP
Form 10-Q
May 15, 2003

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, 2003

Commission File Number 0-6964

21ST CENTURY INSURANCE GROUP

(Exact name of registrant as specified in its charter)

CALIFORNIA
(State or other jurisdiction of
incorporation or organization)

95-1935264
(I.R.S. Employer
Identification number)

6301 OWENSMOUTH AVENUE
WOODLAND HILLS, CALIFORNIA
(Address of principal executive offices)

91367
(Zip Code)

(818) 704-3700
(Registrant's telephone number, including area code)

Web site: www.21st.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 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 (Title of Class) | Outstanding at May 7, 2003 85,431,505 shares |
|---|---|

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

21ST CENTURY INSURANCE GROUP
CONSOLIDATED BALANCE SHEETS
Unaudited

MARCH 31, December 31,

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| | 2003 | 2002 |
|--|-------------|-------------|
| AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA | | |
| ----- | | |
| ASSETS | | |
| Fixed maturity investments available-for-sale, at fair value (amortized cost: \$914,357 and \$886,047) | \$ 951,877 | \$ 924,581 |
| Cash and cash equivalents | 111,738 | 105,897 |
| ----- | | |
| Total investments and cash | 1,063,615 | 1,030,478 |
| Accrued investment income | 12,536 | 13,230 |
| Premiums receivable | 101,452 | 91,029 |
| Reinsurance receivables and recoverables | 21,455 | 28,105 |
| Prepaid reinsurance premiums | 1,636 | 1,893 |
| Deferred income taxes | 96,155 | 88,939 |
| Deferred policy acquisition costs | 49,895 | 46,190 |
| Leased property under capital lease, net of deferred gain of \$5,971 and \$6,280 | 50,899 | 53,720 |
| Property and equipment, at cost less accumulated depreciation of \$53,517 and \$52,125 | 88,826 | 87,274 |
| Other assets | 28,764 | 29,179 |
| ----- | | |
| Total assets | \$1,515,233 | \$1,470,037 |
| ----- | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Unpaid losses and loss adjustment expenses | \$ 416,843 | \$384,009 |
| Unearned premiums | 287,250 | 266,477 |
| Obligations under capital lease | 57,953 | 60,000 |
| Claim checks payable | 38,649 | 39,304 |
| Reinsurance payable | 1,982 | 4,952 |
| Other liabilities | 65,964 | 59,687 |
| ----- | | |
| Total liabilities | 868,641 | 814,429 |
| ----- | | |
| Stockholders' equity: | | |
| Common stock, without par value; authorized 110,000,000 shares, outstanding 85,431,505 in 2003 and 85,431,505 in 2002 | 419,047 | 418,984 |
| Retained earnings | 204,648 | 213,067 |
| Accumulated other comprehensive income | 22,897 | 23,557 |
| ----- | | |
| Total stockholders' equity | 646,592 | 655,608 |
| ----- | | |
| Total liabilities and stockholders' equity | \$1,515,233 | \$1,470,037 |
| ----- | | |

See accompanying notes to consolidated financial statements.

21ST CENTURY INSURANCE GROUP
CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited

AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA
Three Months Ended March 31,

2003 2002

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| | | | |
|---|----|------------|------------|
| REVENUES | | | |
| Net premiums earned | \$ | 271,441 | \$ 215,111 |
| Net investment income | | 11,637 | 11,265 |
| Realized investment gains | | 4,580 | 1,663 |
| ----- | | | |
| Total revenues | | 287,658 | 228,039 |
| ----- | | | |
| LOSSES AND EXPENSES | | | |
| Net losses and loss adjustment expenses | | 253,343 | 188,635 |
| Policy acquisition costs | | 46,144 | 26,558 |
| Other operating expenses | | 942 | 3,901 |
| Interest and fees expense | | 707 | - |
| ----- | | | |
| Total losses and expenses | | 301,136 | 219,094 |
| ----- | | | |
| (Loss) income before federal income taxes | | (13,478) | 8,945 |
| Federal income tax (benefit) expense | | (6,767) | 622 |
| ----- | | | |
| Net (loss) income | \$ | (6,711) | \$ 8,323 |
| ----- | | | |
| EARNINGS PER COMMON SHARE | | | |
| Basic | \$ | (0.08) | \$ 0.10 |
| ----- | | | |
| Diluted | \$ | (0.08) | \$ 0.10 |
| ----- | | | |
| Weighted average shares outstanding - basic | | 85,431,505 | 85,364,862 |
| ----- | | | |
| Weighted average shares outstanding - diluted | | 85,431,505 | 85,466,914 |
| ----- | | | |

See accompanying notes to consolidated financial statements.

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

| AMOUNTS IN THOUSANDS | Common Stock | Retained Earnings | | Accumulated Other Comprehensive Income |
|---|-----------------|----------------------|-----|---|
| Balance - January 1, 2003 | \$418,984 | \$213,067 | | \$23,555 |
| Comprehensive loss | - | (6,711) | (1) | (66) |
| Cash dividends declared on common stock (\$0.02 per share) | - | (1,708) | | |
| Other | 63 | - | | |
| ----- | | | | |
| Balance - March 31, 2003 | \$419,047 | \$204,648 | | \$22,890 |
| ----- | | | | |

