

Edgar Filing: 21ST CENTURY INSURANCE GROUP - Form 10-Q

21ST CENTURY INSURANCE GROUP

Form 10-Q

November 05, 2003

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly Period Ended September 30, 2003      Commission File Number 0-6964  
-----

21ST CENTURY INSURANCE GROUP

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

CALIFORNIA      95-1935264  
(State or other jurisdiction of      (I.R.S. Employer  
incorporation or organization)      Identification number)

6301 OWENSMOUTH AVENUE      91367  
WOODLAND HILLS, CALIFORNIA      (Zip Code)  
(Address of principal executive offices)

(818) 704-3700      Web site: www.21st.com  
(Registrant's telephone number, including area code)

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 by check mark whether the registrant is an accelerated filer as defined in Rule 12b-2 of the Exchange Act.

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 | Outstanding at November 3, 2003 |
| (Title of Class)                | 85,435,505 shares               |

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

21ST CENTURY INSURANCE GROUP

## Edgar Filing: 21ST CENTURY INSURANCE GROUP - Form 10-Q

### CONSOLIDATED BALANCE SHEETS

| AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA   | SEPTEMBER 30,<br>2003<br>(UNAUDITED) | December 31,<br>2002 |
|---|--------------------------------------|----------------------|
| <hr/>   |                                      |                      |
| ASSETS  |                                      |                      |
| Fixed maturity investments available-for-sale, at fair value<br>(amortized cost: \$1,083,016 and \$888,063)                                   | \$ 1,119,428                         | \$ 926,599           |
| Equity securities   | 5                                    | -                    |
| Cash and cash equivalents   | 40,901                               | 105,899              |
| <hr/>   |                                      |                      |
| Total investments and cash  | 1,160,334                            | 1,032,498            |
| Accrued investment income   | 13,948                               | 13,233               |
| Premiums receivable   | 114,008                              | 91,022               |
| Reinsurance receivables and recoverables  | 13,632                               | 28,100               |
| Prepaid reinsurance premiums  | 1,712                                | 1,899                |
| Deferred income taxes   | 70,902                               | 88,933               |
| Deferred policy acquisition costs   | 54,254                               | 46,199               |
| Leased property under capital lease, net of deferred gain of<br>\$5,093 and \$6,280 and net of accumulated amortization of \$9,298<br>and \$0 | 45,238                               | 53,722               |
| Property and equipment, at cost less accumulated depreciation of<br>\$57,928 and \$52,125   | 94,469                               | 87,277               |
| Other assets  | 39,781                               | 27,166               |
| <hr/>   |                                      |                      |
| Total assets  | \$ 1,608,278                         | \$ 1,470,033         |
| <hr/>   |                                      |                      |
| LIABILITIES AND STOCKHOLDERS' EQUITY  |                                      |                      |
| Unpaid losses and loss adjustment expenses  | \$ 429,050                           | \$ 384,000           |
| Unearned premiums   | 319,144                              | 266,477              |
| Obligation under capital lease  | 52,566                               | 60,000               |
| Claim checks payable  | 43,987                               | 39,300               |
| Reinsurance payable   | 1,954                                | 4,950                |
| Other liabilities   | 75,371                               | 59,680               |
| <hr/>   |                                      |                      |
| Total liabilities   | 922,072                              | 814,427              |
| <hr/>   |                                      |                      |
| Stockholders' equity:   |                                      |                      |
| Common stock, without par value; authorized 110,000,000<br>shares, outstanding 85,435,505 and 85,431,505                                      | 419,233                              | 418,980              |
| Retained earnings   | 244,797                              | 213,060              |
| Accumulated other comprehensive income  | 22,176                               | 23,550               |
| <hr/>   |                                      |                      |
| Total stockholders' equity  | 686,206                              | 655,600              |
| <hr/>   |                                      |                      |
| Total liabilities and stockholders' equity  | \$ 1,608,278                         | \$ 1,470,033         |
| <hr/>   |                                      |                      |

See accompanying notes to consolidated financial statements.

## Edgar Filing: 21ST CENTURY INSURANCE GROUP - Form 10-Q

21ST CENTURY INSURANCE GROUP  
CONSOLIDATED STATEMENTS OF OPERATIONS  
Unaudited

| AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA     | Three months ended September 30, |                    | Nine months e |               |
|---|----------------------------------|--------------------|---------------|---------------|
|   | 2003                             | 2002               | 2003          |               |
| <b>REVENUES</b>                             |                                  |                    |               |               |
| Net premiums earned                         | \$ 303,675                       | \$ 234,666         | \$            | 862,34        |
| Net investment income                       | 11,350                           | 11,729             |               | 34,66         |
| Other                                       | --                               | --                 |               | 14,06         |
| Realized investment gains                   | 836                              | 3,045              |               | 13,11         |
| <b>Total revenues</b>                       | <b>315,861</b>                   | <b>249,440</b>     |               | <b>924,18</b> |
| <b>LOSSES AND EXPENSES</b>                  |                                  |                    |               |               |
| Net losses and loss adjustment expenses     | 240,926                          | 239,944            |               | 722,45        |
| Policy acquisition costs                    | 49,857                           | 31,517             |               | 143,76        |
| Write-off of software                       | --                               | 37,177             |               | -             |
| Other operating expenses                    | 7,234                            | 7,395              |               | 8,56          |
| Interest and fees expense                   | 797                              | --                 |               | 2,33          |
| <b>Total losses and expenses</b>            | <b>298,814</b>                   | <b>316,033</b>     |               | <b>877,12</b> |
| Income (loss) before federal income taxes   | 17,047                           | (66,593)           |               | 47,06         |
| Federal income tax expense (benefit)        | 4,338                            | (21,358)           |               | 11,91         |
| <b>Net income (loss)</b>                    | <b>\$ 12,709</b>                 | <b>\$ (45,235)</b> | <b>\$</b>     | <b>35,14</b>  |
| <b>EARNINGS (LOSS) PER COMMON SHARE</b>     |                                  |                    |               |               |
| Basic                                       | \$ 0.15                          | \$ (0.53)          | \$            | 0.4           |
| Diluted                                     | \$ 0.15                          | \$ (0.53)          | \$            | 0.4           |
| Weighted average shares outstanding-basic   | 85,432,838                       | 85,439,641         |               | 85,431,94     |
| Weighted average shares outstanding-diluted | 85,745,822                       | 85,439,641         |               | 85,621,46     |

See accompanying notes to consolidated financial statements.

3

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

| AMOUNTS IN THOUSANDS      | Common<br>Stock | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income | Total     |
|---------------------------|-----------------|----------------------|---|-----------|
| Balance - January 1, 2003 | \$418,984       | \$ 213,067           | \$ 23,557                                       | \$655,608 |
| Comprehensive income      | --              | 35,147 (1)           | (1,381) (2)                                     | 33,766    |

Edgar Filing: 21ST CENTURY INSURANCE GROUP - Form 10-Q

|   |           |            |           |           |
|---|-----------|------------|-----------|-----------|
| Cash dividends declared on common<br>stock (\$0.04 per share) | --        | (3,417)    | --        | (3,417)   |
| Other   | 249       | --         | --        | 249       |
| <hr/>   |           |            |           |           |
| Balance - September 30, 2003                                  | \$419,233 | \$ 244,797 | \$ 22,176 | \$686,206 |
| <hr/>   |           |            |           |           |