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21ST CENTURY INSURANCE GROUP

Form 10-Q

July 24, 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 June 30, 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 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
(Title of Class)

Outstanding at July 18, 2003
85,431,505 shares

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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21ST CENTURY INSURANCE GROUP
CONSOLIDATED BALANCE SHEETS
Unaudited

| AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA | JUNE 30, 2003 | December 31, 2002 |
|---|------------------|----------------------|
| <hr/> | | |
| ASSETS | | |
| Fixed maturity investments available-for-sale, at fair value (amortized cost: \$943,740 and \$886,047) | \$ 994,154 | \$ 924,581 |
| Cash and cash equivalents | 128,543 | 105,897 |
| <hr/> | | |
| Total investments and cash | 1,122,697 | 1,030,478 |
| Accrued investment income | 18,237 | 13,230 |
| Premiums receivable | 104,392 | 91,029 |
| Reinsurance receivables and recoverables | 17,981 | 28,105 |
| Prepaid reinsurance premiums | 1,632 | 1,893 |
| Deferred income taxes | 69,970 | 88,939 |
| Deferred policy acquisition costs | 50,959 | 46,190 |
| Leased property under capital lease, net of deferred gain of \$5,489 and \$6,280 and net of accumulated amortization of \$6,260 and \$0 | 48,251 | 53,720 |
| Property and equipment, at cost less accumulated depreciation of \$55,801 and \$52,125 | 91,125 | 87,274 |
| Other assets | 35,486 | 29,179 |
| <hr/> | | |
| Total assets | \$1,560,730 | \$1,470,037 |
| <hr/> | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Unpaid losses and loss adjustment expenses | \$ 417,580 | \$ 384,009 |
| Unearned premiums | 299,758 | 266,477 |
| Obligation under capital lease | 55,279 | 60,000 |
| Claim checks payable | 42,543 | 39,304 |
| Reinsurance payable | 1,526 | 4,952 |
| Other liabilities | 61,534 | 59,687 |
| <hr/> | | |
| Total liabilities | 878,220 | 814,429 |
| <hr/> | | |
| Stockholders' equity: | | |
| Common stock, without par value; authorized 110,000,000 shares, outstanding 85,431,505 in 2003 and 2002 | 419,139 | 418,984 |
| Retained earnings | 232,091 | 213,067 |
| Accumulated other comprehensive income | 31,280 | 23,557 |
| <hr/> | | |
| Total stockholders' equity | 682,510 | 655,608 |
| <hr/> | | |
| Total liabilities and stockholders' equity | \$1,560,730 | \$1,470,037 |
| <hr/> | | |

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS Unaudited

| AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA | Three months ended June 30, | | Six months ended Ju | |
|---|-----------------------------|-----------------|---------------------|-----------|
| | 2003 | 2002 | 2003 | 2 |
| REVENUES | | | | |
| Net premiums earned | \$ 287,231 | \$ 220,191 | \$ 558,672 | \$ |
| Net investment income | 11,673 | 11,384 | 23,311 | |
| Other | 14,065 | - | 14,065 | |
| Realized investment gains | 7,700 | 2,635 | 12,280 | |
| Total revenues | 320,669 | 234,210 | 608,328 | |
| LOSSES AND EXPENSES | | | | |
| Net losses and loss adjustment expenses | 228,182 | 189,903 | 481,525 | |
| Policy acquisition costs | 47,766 | 29,762 | 91,209 | |
| Other operating expenses | 390 | 3,066 | 4,033 | |
| Interest and fees expense | 833 | - | 1,540 | |
| Total losses and expenses | 277,171 | 222,731 | 578,307 | |
| Income before federal income taxes | 43,498 | 11,479 | 30,021 | |
| Federal income tax expense | 14,347 | 1,620 | 7,580 | |
| Net income | \$ 29,151 | \$ 9,859 | \$ 22,441 | \$ |
| EARNINGS PER COMMON SHARE | | | | |
| Basic | \$ 0.34 | \$ 0.11 | \$ 0.26 | \$ |
| Diluted | \$ 0.34 | \$ 0.11 | \$ 0.26 | \$ |
| Weighted average shares outstanding - basic | 85,431,505 | 85,420,296 | 85,431,505 | 85, |
| Weighted average shares outstanding - diluted | 85,725,925 | 85,933,990 | 85,567,620 | 85, |

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 | Total |
|---|-----------------|----------------------|---|-----------|
| Balance - January 1, 2003 | \$418,984 | \$213,067 | \$23,557 | \$655,608 |
| Comprehensive gain | - | 22,441 (1) | 7,723 (2) | 30,164 |
| Cash dividends declared on common stock (\$0.02 per share) | - | (3,417) | - | (3,417) |

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| | | | | |
|-------------------------|-----------|-----------|----------|-----------|
| Other | 155 | - | - | 155 |
| ----- | | | | |
| Balance - June 30, 2003 | \$419,139 | \$232,091 | \$31,280 | \$682,510 |
| ----- | | | | |