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21ST CENTURY INSURANCE GROUP

Form 10-Q

July 27, 2001

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, 2001

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
incorporation or organization)

(I.R.S. Employer Identification
Number)

6301 Owensmouth Avenue, Woodland Hills, California

91367

(Address of principal executive offices)

(Zip Code)

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

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.

Class
Common Stock, Without Par Value

Outstanding at July 16, 2001
85,204,090 shares

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PART I - FINANCIAL INFORMATION

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ITEM 1. FINANCIAL STATEMENTS

21ST CENTURY INSURANCE GROUP CONSOLIDATED BALANCE SHEET

| (Amounts in thousands, except share data) | June 30, 2001 | December 31, 2000 |
|--|------------------|----------------------|
| ----- | | |
| ASSETS | (Unaudited) | |
| Investments, available-for-sale, at fair value and cash: | | |
| Fixed maturities | \$ 893,991 | \$ 912,655 |
| Equity securities | - | 433 |
| Cash and cash equivalents | 3,333 | 7,240 |
| ----- | | |
| Total investments and cash | 897,324 | 920,328 |
| Accrued investment income | 12,587 | 12,569 |
| Premiums receivable | 76,435 | 78,983 |
| Reinsurance receivables and recoverables | 60,542 | 50,075 |
| Prepaid reinsurance premiums | 16,189 | 20,300 |
| Deferred income taxes | 71,537 | 72,434 |
| Deferred policy acquisition costs | 25,448 | 22,387 |
| Property and equipment, net of accumulated depreciation | 164,997 | 138,062 |
| Other assets | 35,398 | 33,968 |
| ----- | | |
| Total assets | \$ 1,360,457 | \$ 1,349,106 |
| ----- | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Unpaid losses and loss adjustment expenses | \$ 288,672 | \$ 298,436 |
| Unearned premiums | 243,053 | 236,519 |
| Claims checks payable | 37,548 | 35,982 |
| Reinsurance payable | 22,965 | 15,989 |
| Other liabilities | 51,062 | 41,619 |
| ----- | | |
| Total liabilities | 643,300 | 628,545 |
| ----- | | |
| Common stock, without par value; authorized 110,000,000 shares, outstanding 85,187,340 in 2001 and 85,145,817 in 2000 | 415,869 | 415,064 |
| Retained earnings | 300,577 | 303,714 |
| Accumulated other comprehensive income | 711 | 1,783 |
| ----- | | |
| Total stockholders' equity | 717,157 | 720,561 |
| ----- | | |
| Total liabilities and stockholders' equity | \$ 1,360,457 | \$ 1,349,106 |
| ----- | | |

See accompanying notes to financial statements.

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21ST CENTURY INSURANCE GROUP AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

| (Amounts in thousands, except per share data) | Three Months Ended June 30, | | Six Months Ended June | |
|---|-----------------------------|------|-----------------------|------|
| | 2001 | 2000 | 2001 | 2000 |
| ----- | | | | |

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REVENUES

| | | | | |
|------------------------------------|------------|------------|------------|------------|
| Net premiums earned | \$ 217,366 | \$ 207,062 | \$ 431,977 | \$ 407,000 |
| Net investment income | 11,561 | 12,599 | 23,366 | 25,000 |
| Other | (209) | (172) | (288) | (1,000) |
| Realized investment gains (losses) | 434 | (1,255) | 1,550 | (4,000) |
| | 229,152 | 218,234 | 456,605 | 427,000 |

LOSSES AND EXPENSES

| | | | | |
|---|---------|---------|---------|---------|
| Net losses and loss adjustment expenses | 192,471 | 184,153 | 387,107 | 363,000 |
| Policy acquisition costs | 27,086 | 24,072 | 51,212 | 45,000 |
| Other operating expenses | 4,981 | 6,586 | 10,469 | 13,000 |
| Interest and fees expense | | 960 | | 2,000 |
| | 224,538 | 215,771 | 448,788 | 424,000 |

| | | | | |
|------------------------------------|-------|-------|-------|-------|
| Income before federal income taxes | 4,614 | 2,463 | 7,817 | 3,000 |
| Federal income tax benefit | 1,183 | 2,497 | 2,902 | 5,000 |

NET INCOME \$ 5,797 \$ 4,960 \$ 10,719 \$ 8,000

EARNINGS PER COMMON SHARE

BASIC \$ 0.07 \$ 0.06 \$ 0.13 \$ 0.00

DILUTED \$ 0.07 \$ 0.06 \$ 0.13 \$ 0.00

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING

BASIC 85,177 85,110 85,183 85,000

DILUTED 85,372 85,412 85,366 85,000

DIVIDENDS PER SHARE \$ 0.08 \$ 0.16 \$ 0.16 \$ 0.00

See accompanying notes to financial statements.

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21ST CENTURY INSURANCE GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

| (Amounts in thousands) | Common Stock | Retained Earnings | Accumulated Other Comprehensive Income | Total |
|--------------------------------|-----------------|----------------------|---|-------|
| Six Months Ended June 30, 2001 | | | | |

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| | | | | | |
|---------------------------|-----------|------------|-----|---------|-----------|
| Balance - January 1, 2001 | \$415,064 | \$ 303,714 | \$ | 1,783 | \$720,561 |
| Comprehensive income | | 10,719 | (1) | (1,072) | (2) 9,647 |
| Cash dividends declared | | (13,652) | | | (13,652) |
| Other | 805 | (204) | | | 601 |
| ----- | | | | | |
| Balance - June 30, 2001 | \$415,869 | \$ 300,577 | \$ | 711 | \$717,157 |
| ----- | | | | | |