

21ST CENTURY INSURANCE GROUP
Form 10-Q
July 22, 2005

**UNITED STATES
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 the quarterly period ended June 30, 2005

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

For the transition period from _____ to _____

Commission File Number 0-6964

21ST CENTURY INSURANCE GROUP
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

95-1935264
(I.R.S. Employer Identification No.)

6301 Owensmouth Avenue
Woodland Hills, California
(Address of principal executive offices)

91367
(Zip Code)

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

www.21st.com
(Registrant's web site)

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

The number of shares outstanding of the issuer's common stock as of July 11, 2005 was 85,755,002.

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CONDENSED CONSOLIDATED BALANCE SHEETS**

Unaudited

<i>AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA</i>	June 30, 2005	December 31, 2004
Assets		
Fixed maturity investments available-for-sale, at fair value (amortized cost: \$1,346,379 and \$1,320,592)	\$1,369,612	\$1,342,130
Equity securities available-for-sale, at fair value (cost: \$49,492 and \$41,450)	49,088	42,085
Total investments	1,418,700	1,384,215
Cash and cash equivalents	41,322	34,697
Accrued investment income	16,435	16,161
Premiums receivable	105,580	105,814
Reinsurance receivables and recoverables	5,760	7,160
Prepaid reinsurance premiums	1,784	1,787
Deferred income taxes	50,003	56,135
Deferred policy acquisition costs	62,205	58,759
Leased property under capital lease, net of deferred gain of \$2,325 and \$3,116 and net of accumulated amortization of \$30,584 and \$24,794	28,094	31,719
Property and equipment, at cost less accumulated depreciation of \$77,334 and \$68,529	132,376	129,372
Other assets	30,158	38,495
Total assets	\$1,892,417	\$1,864,314
Liabilities and stockholders' equity		
Unpaid losses and loss adjustment expenses	\$ 495,522	\$ 495,542
Unearned premiums	336,243	331,036
Debt	134,242	138,290
Claims checks payable	38,567	38,737
Reinsurance payable	606	633
Other liabilities	77,234	85,675
Total liabilities	1,082,414	1,089,913
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.001 per share; 110,000,000 shares authorized;		
shares issued and outstanding 85,744,970 and 85,489,061	86	85
Additional paid-in capital	422,514	420,425
Retained earnings	374,281	341,196
Accumulated other comprehensive income (loss):		
Net unrealized gains on available-for-sale investments, net of deferred income taxes of \$7,990 and \$7,760	14,839	14,412

Minimum pension liability in excess of unamortized prior service cost, net of deferred income taxes of \$925 and \$925	(1,717)	(1,717)
Total stockholders' equity	810,003	774,401
Total liabilities and stockholders' equity	\$1,892,417	\$1,864,314

See accompanying Notes to Condensed Consolidated Financial Statements.

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**21ST CENTURY INSURANCE
GROUP
CONDENSED
CONSOLIDATED
STATEMENTS OF
OPERATIONS**
Unaudited

<i>AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA</i>	<i>Three Months Ended June 30,</i>		<i>Six Months Ended June 30,</i>	
	2005	2004	2005	2004
Revenues				
Net premiums earned	\$ 336,845	\$ 327,021	\$ 673,209	\$ 645,241
Net investment income	17,006	14,315	34,043	27,461
Other	367	—	367	—
Net realized investment (losses) gains	(1,267)	1,337	(1,727)	8,983
Total revenues	352,951	342,673	705,892	681,685
Losses and expenses				
Net losses and loss adjustment expenses	248,284	244,556	499,315	492,070
Policy acquisition costs	63,755			