21ST CENTURY INSURANCE GROUP Form 10-O

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

95-1935264

21ST CENTURY INSURANCE GROUP

(Exact name of registrant as specified in its charter)

CALIFORNIA (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)

(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 [X] No []

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

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.

Common Stock, Without Par Value Outstanding at July 18, 2003 (Title of Class) 85,431,505 shares

PART I - FINANCIAL INFORMATION ITEM 1. FINANCIAL STATEMENTS

21ST CENTURY INSURANCE GROUP CONSOLIDATED BALANCE SHEETS Unaudited

### ASSETS Fixed maturity investments available—for—sale, at fair value (amortized cost: \$943,740 and \$886,047) Cash and cash equivalents Total investments and cash Accrued investment income 18,237 104,392 Premiums receivable Reinsurance receivables and recoverables 104,392 Peferred income taxes Deferred policy acquisition costs 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 Property and equipment, at cost less accumulated depreciation of \$5,580 and \$52,125 Other assets \$1,560,730 \$1,470,037 ***LABILITIES AND STOCKHOLDERS' EQUITY** Unpaid losses and loss adjustment expenses \$417,580 \$24,758 \$29,758 \$266,477 Obligation under capital lease \$29,758 \$266,477 Obligation under capital lease \$3,480 \$417,580 \$3,480 \$48,251 \$3,486 \$29,179 ***Common stock, without par value; authorized 110,000,000 shares, outstanding 85,431,505 in 2003 and 2002 ***Common stock, without par value; authorized 110,000,000 shares, outstanding 85,431,505 in 2003 and 2002 ***Total liabilities and stockholders' equity Total liabilities and stockholders' equity Total liabilities and stockholders' equity ***Total liabilities and stockholders' equity \$1,470,037	AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA	JUNE 30, 2003	December 31, 2002
Fixed maturity investments available—for—sale, at fair value			
Cambrized cost: \$943,740 and \$886,047) \$941,54 \$924,581 Cash and cash equivalents 128,543 105,897 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 16,332 1,893 Deferred oncome 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 \$1,560,730 \$1,470,037 Total assets \$1,560,730 \$1,470,037 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			
Cash and cash equivalents 128,543 105,897 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 28,015 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 \$5,480 and sof,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 Total assets \$1,560,730 \$1,470,037 Total assets \$1,560,730 \$1,470,037 LIABILITIES AND STOCKHOLDERS' EQUITY 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	_	à 004 154	004 501
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	cash and cash equivalents	128,343	105,897
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 48,251 53,720 Property and equipment, at cost less accumulated depreciation of \$55,801 and \$52,125 91,125 87,274 Other assets \$1,560,730 \$1,470,037 Total assets \$1,560,730 \$1,470,037 LIABILITIES AND STOCKHOLDERS' EQUITY Unparied 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 42,543 39,304 Total liabilities 878,220 814,429 Stockholders' equity: Common stock, without par value; authorized 110,000,000 419,139 418,984	Total investments and cash	1,122,697	1,030,478
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 \$5,89 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 Total assets \$1,560,730 \$1,470,037 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 42,543 39,304 Reinsurance payable 42,543 39,304 Reinsurance payable 42,543 39,304 Total liabilities 61,534 59,687 Total liabilities 878,220 814,429 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 Total stockholders' equity 682,510 655,608	Accrued investment income	18,237	13,230
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 Total assets \$1,560,730 \$1,470,037 LIABILITIES AND STOCKHOLDERS' EQUITY Value and the second second loss adjustment expenses \$417,580 \$384,009 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 878,220 814,429 Stockholders' equity: 878,220 814,429 Common stock, without par value; authorized 110,000,000 419,139 418,984	Premiums receivable	104,392	91,029
Deferred income taxes 69,970 88,939	Reinsurance receivables and recoverables	17,981	28,105
Deferred policy acquisition costs	Prepaid reinsurance premiums	1,632	1,893
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 Total assets \$1,560,730 \$1,470,037 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 Total liabilities 878,220 814,429 Stockholders' equity: 200,000 419,139 418,984 Retained earnings 232,091 213,067 Accumulated other comprehensive income 31,280 23,557 Total stockholders' equity 682,510 655,608	Deferred income taxes	69 , 970	88,939
\$5,489 and \$6,280 and net of accumulated amortization of \$6,260 and \$0 A8,251 53,720 Property and equipment, at cost less accumulated depreciation of \$55,801 and \$52,125 91,125 87,274 Other assets 91,560,730 \$1,470,037 Total assets \$1,560,730 \$1,470,037 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 Total liabilities 878,220 814,429 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 Total stockholders' equity 682,510 655,608	Deferred policy acquisition costs	50 , 959	46,190
and \$0 Property and equipment, at cost less accumulated depreciation of \$55,801 and \$52,125 Other assets 35,486 Property and equipment, at cost less accumulated depreciation of \$55,801 and \$52,125 Other assets 35,486 Property and equipment, at cost less accumulated depreciation of \$55,801 and \$52,125 Other assets \$1,560,730 Property and equipment assets \$1,486 Property and equipment assets \$1,486 Property and equipment assets \$1,486 Property assets \$1,1560,730 Property and equipment assets \$1,470,037 Property and equipment assets \$1,470,037 Property and equipment assets \$1,560,730 Property and equipment assets \$1,470,037 Property assets \$1,560,730 Property and equipment assets \$1,470,037 Property and equipment assets \$1,470,037 Property and equipment assets \$1,470,037 Property assets \$1,560,730 Property and equipment assets \$1,470,037 Property assets \$1,560,730 Property and equipment assets \$1,470,037 Property assets \$1,470,037 Property and equipment assets \$1,470,037 Property assets \$1,560,730 Property assets \$1,470,037 Property assets \$1,560,730 Property assets \$1,560,730 Property assets \$1,560,730 Property assets \$1,470,037 Property assets \$1,470,037 Property assets \$1,560,730 Property assets \$1,560,730 Property assets \$1,470,037 Property a			
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Other assets 35,486 29,179 Total assets \$1,560,730 \$1,470,037 LIABILITIES AND STOCKHOLDERS' EQUITY Total 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 Total liabilities 878,220 814,429 Stockholders' equity: 200,000 419,139 418,984 Retained earnings 232,091 213,067 Accumulated other comprehensive income 31,280 23,557 Total stockholders' equity 682,510 655,608	Property and equipment, at cost less accumulated depreciation of		
Total assets \$1,560,730 \$1,470,037 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 Total liabilities 878,220 814,429 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 Total stockholders' equity 682,510 655,608		•	•
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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	Total assets	\$1 , 560 , 730	\$1,470,037
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			
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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 Total liabilities 878,220 814,429 Stockholders' equity: 2000 814,429 Common stock, without par value; authorized 110,000,000 419,139 418,984 Retained earnings 232,091 213,067 Accumulated other comprehensive income 31,280 23,557 Total stockholders' equity 682,510 655,608		\$ 417 580	\$ 384 009
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 Total liabilities 878,220 814,429 Stockholders' equity: Common stock, without par value; authorized 110,000,000 419,139 418,984 Retained earnings 232,091 213,067 Accumulated other comprehensive income 31,280 23,557 Total stockholders' equity 682,510 655,608		•	
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Reinsurance payable 1,526 4,952 Other liabilities 61,534 59,687 Total liabilities 878,220 814,429 Stockholders' equity: Common stock, without par value; authorized 110,000,000 419,139 418,984 Retained earnings 232,091 213,067 Accumulated other comprehensive income 31,280 23,557 Total stockholders' equity 682,510 655,608		•	•
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Stockholders' equity: Common stock, without par value; authorized 110,000,000 shares, outstanding 85,431,505 in 2003 and 2002 Retained earnings Accumulated other comprehensive income Total stockholders' equity 682,510 655,608		•	•
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 Total stockholders' equity 682,510 655,608	Total liabilities	 878 , 220	814,429
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 Total stockholders' equity 682,510 655,608			
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Retained earnings 232,091 213,067 Accumulated other comprehensive income 31,280 23,557 Total stockholders' equity 682,510 655,608			
Accumulated other comprehensive income 31,280 23,557 Total stockholders' equity 682,510 655,608	shares, outstanding 85,431,505 in 2003 and 2002	419,139	418,984
Total stockholders' equity 682,510 655,608		232,091	213,067
	Accumulated other comprehensive income	31,280	23,557
Total liabilities and stockholders' equity \$1,560,730 \$1,470,037	Total stockholders' equity	682 , 510	655,608
	Total liabilities and stockholders' equity	\$1,560,730	\$1,470,037

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS Unaudited

AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA	Thre	ee months 2003	ended	l June 30, 2002	Siz	x months e 2003	ended Ju 2
REVENUES							
Net premiums earned	\$	- , -		220,191		/	\$
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		•		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	8.	5,431,505	8	5,420,296	8!	5,431,505	85,
Weighted average shares outstanding - diluted	l 8	5 , 725 , 925	8	5,933,990	8!	5,567,620	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 Cash dividends declared on common	-	22,441	(1) 7,723	(2)	30,164
stock (\$0.02 per share)	_	(3,417)	_		(3,417)

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