

21ST CENTURY INSURANCE GROUP
Form 10-K
February 17, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2004

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)

Securities registered pursuant to Section 12 (b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, Par Value \$0.001	New York Stock Exchange

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of 21st Century Insurance Group, based on the average high and low prices for shares of the registrant's Common Stock on June 30, 2004, as reported by the New York Stock Exchange, was approximately \$401,000,000.

There were 85,489,061 shares of common stock outstanding on January 31, 2005.

Document Incorporated By Reference:

Part III of this Form 10-K incorporates by reference certain information from the registrant's definitive proxy statement for the Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the close of the year ended December 31, 2004.

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PART I

ITEM 1. BUSINESS

General

21st Century Insurance Group (together with its subsidiaries, referred to hereinafter as the "Company", "we", "us" or "our") is an insurance holding company registered on the New York Stock Exchange (NYSE: TW).

We are a direct-to-consumer provider of personal auto insurance covering over 1.5 million vehicles in California and eight other Western, Southwestern and Midwestern states.¹ We also provide motorcycle and personal umbrella insurance in California. Twenty-four hours per day, 365 days a year, customers have the option to purchase insurance, service their policy or report a claim over the phone directly through our licensed insurance professionals at 1-800-211-SAVE (English) or 1-888-920-2121 (Spanish) or through our full service bilingual Web site at www.21st.com. We believe that we deliver superior policy features and customer service at a competitive price.

21st Century Insurance Group was founded in 1958 and, effective December 4, 2003, was incorporated under the laws of the State of Delaware. Previously, the Company was incorporated in California. Several subsidiaries of American International Group, Inc. (hereinafter referred to as "AIG") together own approximately 63% of our outstanding common stock.

Copies of our filings with the Securities and Exchange Commission on Form 10-K, Form 10-Q, Form 8-K and proxy statements are available along with copies of earnings releases on the Company's Web site at www.21st.com. Copies may also be obtained free of charge directly from the Company's Investor Relations Department (6301 Owensmouth Avenue, Woodland Hills, California 91367, phone 818-673-3996).

Geographic Concentration of Business

We write private passenger automobile insurance primarily in California (96% of policyholders). We also currently write auto insurance in Arizona, Nevada, Oregon, Washington, Illinois, Indiana, Ohio, and Texas¹.

¹We began offering insurance in Texas on January 3, 2005. Results from Texas are not expected to be material in 2005.

The following table presents a geographical summary of our direct premiums written for the past five years (in millions):

Years Ended December 31, Personal auto lines ¹	Direct Premiums Written				
	2004	2003	2002	2001	2000
California	\$1,285.6	\$1,189.5	\$967.3	\$879.4	\$861.6
Arizona ²	33.0	21.2	13.0	—	—
Nevada	6.3	6.7	8.1	8.9	7.7
Oregon	1.2	1.4	1.6	2.0	2.2
Washington	3.7	4.6	5.8	8.5	9.7
Ohio	1.6	—	—	—	—
Indiana	1.3	—	—	—	—
Illinois	4.4	—	—	—	—
Total personal auto lines	1,337.1	1,223.4	995.8	898.8	881.2
Lines in runoff					
Homeowner ³ and Earthquake ⁴	0.1	0.1	2.4	30.5	29.5
Total	\$1,337.2	\$1,223.5	\$998.2	\$929.3	\$910.7

The table below summarizes the concentrations of our California vehicles in force for the personal auto lines excluding the Assigned Risk program and personal umbrella and motorcycle coverages as of the end of each of the past five years. Our California market share reflects a weighted distribution that tracks the concentration of households and population. At the end of 2004, 30.3% of the vehicles insured by us were registered in Los Angeles County. In comparison, December 31, 2003 data from the California Department of Motor Vehicles (the most recent available) indicates that 24% of its registrations were for vehicles in Los Angeles County.

Voluntary Personal Auto Lines December 31,	Concentration of California Vehicles in Force				
	2004	2003	2002	2001	2000
Los Angeles County	30.3%	32.3%	37.2%	42.0%	43.6%
San Diego County	13.6	13.5	13.4	13.4	12.6
Southern California excluding Los Angeles and San Diego Counties ⁵	20.3	21.4	23.5	25.9	26.5
Central and Northern California ⁶	35.8	32.8	25.9	18.7	17.3
	100.0%	100.0%	100.0%	100.0%	100.0%

Types and Limits of Insurance Coverage

Our private passenger auto insurance contract generally covers: bodily injury liability; property damage; medical payments; uninsured and underinsured motorist; rental reimbursement; uninsured motorist property damage and collision deductible waiver; towing; comprehensive; and collision. All of these policies are written for a six-month term except for policies sold under the Assigned Risk Program, which are for twelve months.

¹ Includes motorcycle and personal umbrella coverages, which are immaterial for all periods presented.

² Excludes amounts not consolidated prior to our acquisition of a majority of the voting interests in 21st Century Insurance Company of the Southwest (previously named 21st Century Insurance Company of Arizona): \$12.8 million in 2001 and \$14.7 million in 2000.

³ We no longer have any California homeowner policies in force. See further discussion in Item 7 under the caption *Underwriting Results - Homeowner and Earthquake Lines in Runoff*.

⁴ We ceased writing earthquake coverage in 1994, but we have remaining loss reserves from the 1994 Northridge Earthquake that are subject to possible adverse development. See further discussion in Item 7 under the captions *Underwriting Results - Homeowner and Earthquake Lines in Runoff*, *Critical Accounting Estimates*, and in Note 16

to the Notes to Consolidated Financial Statements.