FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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20TH CENTURY INDUSTRIES

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Type: **10-Q** | Act: **34** | File No.: **001-10828** | Film No.: **95536104**
SIC: **6311** Life insurance

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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 March 31, 1995 Commission File Number 0-6964

20TH CENTURY INDUSTRIES

(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)

Suite 700, 6301 Owensmouth Avenue, Woodland Hills, California 91367

(Address of principal executive offices) (Zip Code)

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

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	Outstanding at April 26, 1995
Common Stock, Without Par Value	51,495,636 shares

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

<TABLE>

20TH CENTURY INDUSTRIES AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
A S S E T S

	March 31, 1995 (unaudited)	December 31, 1994
	(Amounts in thousands)	
Investments:		
<S>	<C>	<C>
Fixed maturities - available-for-sale, at fair value, (amortized cost, 1995 $1,032,956; 1994 $1,002,831) - Note 3	$1,015,518	$ 941,406
Equity securities, at fair value (cost, 1995 $539; 1994 $539)	896	768
Total investments	1,016,414	942,174
Cash and cash equivalents	234,523	249,834
Accrued investment income	20,198	19,631

Premiums receivable	89,214	90,236
Income taxes receivable	-	74,064
Deferred income taxes - Note 4	263,346	276,570
Deferred policy acquisition costs	11,163	14,776
Furniture, equipment and leasehold improvements; at cost less accumulated depreciation, 1995 $43,622; 1994 $42,171	12,057	13,307
Other assets	47,103	22,218
	$1,694,018	$1,702,810

The accompanying notes are an integral part of this statement.

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20TH CENTURY INDUSTRIES AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1995 (unaudited)	December 31, 1994
	(Amounts in thousands, except share data)	
<S>	<C>	<C>
Unpaid losses and loss adjustment expenses	$ 685,708	$ 756,243
Unearned premiums	298,544	298,519
Bank loan payable - Note 5	170,000	160,000
Claims checks payable	66,712	70,725
Proposition 103 payable - Note 6	62,306	78,307
Other liabilities	49,797	21,072
Total liabilities	1,333,067	1,384,866
Stockholders' equity - Note 8		
Capital stock		
Preferred stock, par value $1.00 per share; authorized 500,000 shares, none issued		
Series A convertible preferred stock, stated value $1,000 per share, authorized 376,126 shares, outstanding 220,000 in 1995 and 200,000 in 1994	220,000	200,000
Common stock without par value; authorized 110,000,000 shares, outstanding 51,495,636 in 1995 and 51,472,471 in 1994	69,590	69,340
Common stock warrants	16,000	16,000
Unrealized investment losses, net	(11,102)	(39,777)
Retained earnings	66,463	72,381
Total stockholders' equity	360,951	317,944
	$1,694,018	$1,702,810

The accompanying notes are an integral part of this statement.
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20TH CENTURY INDUSTRIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	1995	1994
	(unaudited) (Amounts in thousands, except per share data)	

<S> <C> <C>

REVENUES:		
Net premiums earned	$ 248,737	$ 262,897
Net investment income	21,169	24,197
Realized investment gains	185	3,505
Other	(31)	(39)
	270,060	290,560
LOSSES AND EXPENSES:		
Net losses and loss adjustment expenses	244,993	243,608
Net earthquake losses and related expenses	-	551,327
Policy acquisition costs	11,449	12,388
Other operating expenses	13,265	13,044
Interest expense	4,073	-
	273,780	820,367
Loss before federal income taxes	(3,720)	(529,807)
Federal income taxes (benefit)	(2,302)	(189,814)
NET LOSS	$ (1,418)	$ (339,993)
PRIMARY LOSS PER COMMON SHARE - Note 2	$ (0.12)	$ (6.61)

The accompanying notes are an integral part of this statement.
</TABLE>

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20TH CENTURY INDUSTRIES AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Three Months Ended March 31, 1995
(unaudited)

(Amounts in thousands)

<S> <C> <C> <C> <C> <C>

	Convertible Preferred Stock $1 Par Value Per Share Amount	Common Stock Without Par Value Amount	Common Stock Warrants	Unrealized Investment Gains (Losses)	Retained Earnings
Balance at January 1, 1995	$200,000	$ 69,340	$ 16,000	$(39,777)	$ 72,381
Net loss for the three months					(1,418)
Effects of common stock issued under restricted shares plan		250			
Issuance of Series A Preferred Stock - Note 8	20,000				
Net decrease in unrealized losses on portfolio classified as available-for-sale net of taxes of $15,440				28,675	
Cash dividends paid on preferred stock					(4,500)
Balance at March 31, 1995	$220,000	$ 69,590	$ 16,000	$(11,102)	$ 66,463

The accompanying notes are an integral part of this statement.

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<TABLE>

20TH CENTURY INDUSTRIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 1995	1994
	(unaudited) (Amounts in thousands)	
OPERATING ACTIVITIES:		
Net loss	$ (1,418)	$ (339,993)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Provision for depreciation and amortization	1,734	1,818
Provision for deferred income taxes	(2,302)	(115,642)
Realized gains on sale of investments, fixed assets, etc.	(136)	(3,458)
Effects of common stock issued under restricted shares plan	250	169
Decrease in premiums receivable	1,022	343
(Increase) decrease in accrued investment income	(567)	478
Decrease in deferred policy acquisition costs	3,613	494
Increase (decrease) in unpaid losses and loss adjustment expenses	(70,535)	479,706
Increase in unearned premiums	25	5,749
Increase (decrease) in claims checks payable	(4,013)	76,181
Decrease in Proposition 103 payable	(16,001)	-
Change in other assets, other liabilities and accrued income taxes	77,989	(92,107)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (10,339)	$ 13,738

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20TH CENTURY INDUSTRIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(continued)

	Three Months Ended March 31, 1995	1994
	(unaudited) (Amounts in thousands)	
INVESTING ACTIVITIES:		
Investments purchased - available-for-sale	$ (47,180)	$ (39,327)
Investments called or matured - available-for-sale	1,128	8,774
Investments sold - available-for-sale	16,101	37,668
Net purchases of furniture, equipment and leasehold improvements	(521)	(1,310)

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(30,472)	5,805
FINANCING ACTIVITIES:		
Proceeds from issuance of preferred stock	20,000	-
Proceeds from bank loan	10,000	-
Dividends paid	(4,500)	(8,236)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	25,500	(8,236)
Net increase (decrease) in cash	(15,311)	11,307
Cash, beginning of quarter	249,834	17,894
Cash, end of quarter	$ 234,523	$ 29,201

The accompanying notes are an integral part of this statement.
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20TH CENTURY INDUSTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 1995 are not necessarily indicative of the results that may be expected for the year ended December 31, 1995. For further information, refer to the consolidated financial statements and notes thereto included in the 20th Century Industries and Subsidiaries annual report on Form 10-K for the year ended December 31, 1994.

2. Earnings (Loss) Per Common Share

Earnings (loss) per common share were computed using the weighted average number of common shares outstanding. The weighted average number of shares was 51,435,734 for the three months ended March 31, 1995 and 51,411,356 for the three months ended March 31, 1994. Primary loss per share for 1994 reflects a simple capital structure in which there were no securities in existence allowing common stock to be acquired as a result of exercising the conversion rights of such securities. The 1995 primary and fully diluted loss per share amounts reflect a more complex capital structure in which securities exist that allow for the acquisition of additional common stock through the exercise of conversion rights in these securities. Primary loss per share reflects a reduction to the net loss for the quarter of $4.5 million for cash dividends paid on the preferred stock. Fully diluted loss per share for 1995 is not presented as there is a net loss for the quarter and including the convertible securities in the computation of the loss per share would be antidilutive.

3. Investments

In accordance with Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities" which was adopted in January, 1994, the Company classifies all of its bond portfolio as available-for-sale.

The amortized cost, gross unrealized gains and losses, and fair values of fixed maturities as of March 31, 1995 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(Amounts in thousands)		
Available-For-Sale				
U.S Treasury securities and obligations of U.S. government corporations and agencies	$ 247,692	$ 147	$ 2,318	$ 245,521
Obligations of states and political subdivisions	277,764	1,181	13,114	265,831
Public utilities	147,291	105	1,825	145,571
Corporate securities	360,209	3,316	4,930	358,595
Total	$1,032,956	$ 4,749	$22,187	$1,015,518

4. Income Taxes

Income taxes do not bear the expected relationship to pre-tax income primarily because of tax-exempt investment income. As of March 31, 1995, the Company has a net operating loss carryforward of approximately $561,000,000 and $417,000,000 for regular tax and alternative minimum tax, respectively, and an alternative tax credit carryforward of $8,084,000. The net operating loss carryforwards will expire in 2009. Alternative minimum tax credits may be carried forward indefinitely to offset future regular tax liabilities.

4. Income Taxes (continued)

Federal income tax expense consists of:

	Three Months Ended March 31, 1995	1994
	(Amounts in thousands)	
Current tax expense (benefit)	$ -	$ (74,172)
Deferred tax expense (benefit)	(2,302)	(115,642)
	$ (2,302)	$(189,814)

5. Debt

Effective June 30, 1994, the Company secured a five and one-half year reducing-revolver credit facility (the Facility), with an aggregate commitment of $175 million through The First National Bank of Chicago and Union Bank (the Agents).

As of December 31, 1994, the Company's outstanding advances against the Facility totalled $160 million for which loan origination fees to the Agents of $7.2 million were incurred. Loan fees are being amortized over the five-and-one-half year life of the Facility. Interest is charged at a variable rate based, at the option of the Company, on either (1) the higher of (a) the prime rate or (b) the sum of the Federal Funds Effective Rate plus 0.5%, plus a margin of 2.0%, or (2) the Eurodollar rate plus a margin of 3.25%. Margins will be reduced in relation to certain financial and operational levels of the Company. Interest is payable at the end of each interest period. The stock of the Company's insurance subsidiaries is pledged as collateral under the loan agreement.

In March 1995, as part of the Proposition 103 settlement (see Note 6) with the California Department of Insurance, the Company was instructed to contribute an additional $30 million to the insurance subsidiaries' surplus by March 31, 1995. The Company received an additional $10 million from the existing bank credit facility and $20 million from an additional preferred stock issuance to AIG. See

Note 8. These funds were contributed to the insurance subsidiaries' surplus.

5. Debt (continued)

At March 31, 1995, the annual interest rate for the specified interest period was approximately 9.375%. Per amendments to the bank agreement, the interest rate was reduced to 7.375% at April 10, 1995 due to the Company's improved financial condition. Interest paid for the three months ending March 31, 1995 was approximately $3,700,000.

6. Proposition 103

On January 27, 1995, the Company announced a settlement of rebate liabilities associated with Proposition 103, which was passed by California voters on November 8, 1988. The agreement applies to both insurance subsidiaries, 20th Century Insurance Company and 21st Century Casualty Company, and applies to those customers insured between November 8, 1988 and November 7, 1989. At December 31, 1994, $78 million was recorded as a liability.

By March 31, the Company had refunded $16 million of its $46 million initial rebate amount, reducing the liability to $62 million as of March 31, 1995. The Company expects to complete issuance of the initial rebates by mid-May, 1995. The remaining $32 million has been set aside for additional customer refunds conditioned on the ultimate level of claim costs associated with the 1994 Northridge Earthquake.

This settlement required the Company to withdraw its request for a hearing with the United States Supreme Court to appeal the California Supreme Court decision in the Proposition 103 test case "20th Century vs. Garamendi" and abide by the terms of Commissioner Quackenbush's order. Upon announcement of the settlement, a consumer group objected to the settlement terms, and threatened legal action. The Company is advised by counsel, and believes that any challenge to the settlement will be unsuccessful.

6. Proposition 103 (continued)

Another condition of this agreement required the Company to obtain new capital of $50 million and contribute the funds to the surplus of the insurance subsidiaries, consisting of $30 million by March 31, 1995 and $20 million by December 31, 1995. In March 1995, the Company received $10 million from the existing bank credit facility and $20 million from the issuance of preferred stock to AIG. Refer to Notes 5 and 8 for further discussion.

7. Northridge Earthquake

The Northridge, California Earthquake, which occurred on January 17, 1994, significantly affected the operating results and the financial position of the Company for 1994. The earthquake occurred in an area in which the Company's homeowners and earthquake coverages were concentrated. Since the event occurred, the Company and other members of the property and casualty insurance industry have revised their estimates of claim costs and related expenses several times. Because of the unusual nature of the ground motion during the earthquake, the earthquake produced significant damage to structures beyond normal expectations. Delayed discovery of the severity of damages has caused claims to be reevaluated as the additional damage becomes known and has made the estimation process extremely difficult. The Company's estimate of gross losses and allocated loss adjustment expenses for this catastrophe remains unchanged in the quarter at $940 million. Estimated unallocated loss adjustment expense, FAIR plan assessments and other earthquake related expenses remain at approximately $20 million. The charge against first quarter 1994 pre-tax earnings, after reduction for $76.3 million of reinsurance, was $551.3 million.

The earthquake did not materially affect the results of first quarter 1995.

Should the earthquake losses increase above $974 million, future financial periods will be impacted and additional capital may be required.

8. Capital Transaction

As a result of the earthquake losses discussed in Note 7, the Company found it necessary to obtain additional capital to increase the combined statutory surplus of the insurance subsidiaries.

On December 16, 1994, the Company received $216 million of equity capital from American International Group, Inc. ("AIG") and in exchange, issued (i) 200,000 shares of Series A 9% Convertible Preferred Stock, par value $1.00 per share, at a price and liquidation value of $1,000 per share and convertible into common shares at a conversion price of $11.33 per share, and (ii) 16,000,000 Series A Warrants to purchase an aggregate 16,000,000 shares of the Company's Common Stock at $13.50 per share (collectively, the "Investment Agreement"). The Company received aggregate consideration of $200,000,000 for the shares of the Preferred Stock and $16,000,000 for the Warrants. The Series A Preferred Stock ranks senior to the Common Stock in respect to dividend and liquidation rights. Cash dividends of $4,500,000 were paid on the preferred stock on March 16, 1995. The Common Stock Warrants are generally exercisable from February 1998 to February 2007.

As part of the Investment Agreement, a 10% quota-share reinsurance agreement applicable to the Company's entire book of business was implemented on January 1, 1995, thereby improving the Company's ability to sustain growth.

In addition to AIG's capital investment and quota-share agreement, the Company and AIG are negotiating a strategic business alliance agreement for joint ventures for the sale of automobile insurance outside California. This alliance will enable the Company to expand its business into other geographic areas. The Companies have agreed on Arizona as the initial western state. It is expected that the Company will write its first out-of-state policies before the end of the year.

8. Capital Transaction (continued)

In March 1995, in accordance with an order from the California Department of Insurance to contribute an additional $30 million to the insurance subsidiaries' surplus by March 31, 1995 (as part of the Proposition 103 settlement-see Note 6), the Company received $20 million from the issuance of 20,000 additional shares of preferred stock to AIG and $10 million from its existing credit line and contributed such funds to the insurance subsidiaries' surplus.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition

Historically, the Company has experienced positive cash flow from operating activities, excluding 1994 due to the severe earthquake losses. The Company paid for these losses with cash from operations, investment sales, loan proceeds and equity financing. In 1995, funds needed to pay remaining earthquake-related losses and expenses have come from normal positive operating cash flows and from available cash on deposit. As of March 31, 1995, the Company had total cash of $234,523,000 and total investments of $1,016,414,000. Of the Company's total investments, $265,831,000 at fair value was invested in tax-exempt state and municipal bonds and the balance was invested in taxable government, corporate and municipal securities.

Statutory regulations require the majority of the Company's investments to be made in high-grade securities to provide ample protection for policyholders. The Company primarily invests in long-term maturity investments such as bonds.

Loss and loss expense payments are the most significant cash flow requirements of the Company. The Company continually monitors the loss payments to provide projections of future cash requirements. The Company generally generates enough cash flow to allow for monthly investments in the Cash Management Fund which is the source for purchasing long-term investments such as bonds. In order to help pay for the earthquake losses in 1994, the Company capitalized on the substantial unrealized gain in its bond portfolio by selling off bonds with higher market values, resulting in substantial capital gains.

In order to realize capital gains to increase statutory surplus, to provide cash for earthquake claims payments and to maximize investment income, the Company has restructured its investment portfolio to increase the proportion of investment-grade taxable instruments. Accordingly, the entire portfolio is shown as available-for-sale. As of March 31, 1995, the portfolio contained 73% taxable instruments compared to 13% a year earlier. All of the Company's investments are of high-quality and very liquid.

ITEM 2. (CONTINUED)

In prior years, the Company's most significant capital requirement resulted from its need to maintain an acceptable ratio of net premiums written to policyholders' surplus. However, the losses from the 1994 Northridge Earthquake were so severe that the Company has obtained a $170 million bank loan for its subsidiaries and equity financing from American International Group, Inc. See Notes 5 and 8 of the Notes to Consolidated Financial Statements.

During the quarter, the insurance subsidiaries acquired $30 million in new capital, consistent with the Proposition 103 rebate settlement and order from the California Department of Insurance (DOI). See Note 6 of the Notes to Consolidated Financial Statements. Of this amount, $20 million was funded through an additional preferred stock issuance to AIG, convertible to common stock at $11.33 per share, and $10 million was funded through additional bank debt from the existing credit line.

At March 31, 1995, the Company has $220 million of preferred stock outstanding, bearing interest at 9% per year payable quarterly. This results in a dividend of $19.8 million a year, or $4,950,000 per quarter beginning in June 1995. Cash dividends paid in the first quarter 1995, based on $200 million preferred stock outstanding, were $4,500,000.

Interest on the $170 million credit facility varies according to market conditions. First quarter 1995 interest payments were approximately $3,700,000.

Funds required by 20th Century Industries to pay dividends are provided by the insurance subsidiaries. The ability of the insurance subsidiaries to pay dividends to the holding company is regulated by state law. Because of statutory regulations which require dividends to be paid from earned surplus, no dividends may be paid by the subsidiaries in 1995 without prior approval. The order from the DOI in January, 1995 specifically provides that the insurance subsidiaries may pay dividends to service existing debt and preferred stock obligations, and to service the additional contributions. The Company has requested approval from the DOI for an extraordinary dividend to pay the required dividends and interest, and anticipates a favorable response.

As of March 31, 1995, in accordance with an order from the DOI regarding the settlement of rebate liabilities associated with Proposition 103, the Company has refunded approximately $16 million of its $46 million initial rebate amount. The Company expects to complete issuance of these rebates by mid-May 1995. The $46 million has previously been recorded as a liability and an additional $32 million has been reserved for additional customer refunds conditioned on the ultimate level of claim costs associated with the 1994 Northridge Earthquake.

Total stockholders' equity increased $43.1 million between December 31, 1994 and March 31, 1995 from $317.9 million to $361.0 million, respectively. Book value per common share increased $0.45 from $2.29 to $2.74 for the same time period.

For years prior to 1994, the Company's cash outlays for income taxes generally exceeded income tax expense recorded in accordance with generally accepted accounting principles. This resulted primarily because of the reduction of the unearned premium deduction and the discounting of unpaid loss reserve mandated by the Tax Reform Act of 1986.

In 1994, the losses caused by the Northridge Earthquake resulted in a net operating loss of approximately $788.5 million and $759.5 million for regular tax and alternative minimum tax, respectively. Of these amounts, $238.0 million and $350.0 million for regular tax and alternative minimum tax, respectively, were carried back to the previous three years offsetting most of the taxable income for those years and resulting in a tax refund of $74.1 million. The balance of the 1994 net operating loss ($550.0 million and $408.0 million for regular tax and alternative minimum tax, respectively) will offset taxable income for future years. For the next two to three years, the Company expects to have very small cash outlays for income taxes, specifically alternative minimum tax. Until the net operating losses are fully utilized, the Company expects that cash outlays

for income taxes will be less than income tax expense recorded in accordance with generally accepted accounting principles. The net operating loss carryforwards will expire in the year 2009.

Results of Operations

Three Months Ended March 31, 1995 Compared to Three Months Ended March 31, 1994.

Although direct premiums written reflected little change from the first quarter a year ago, net premiums written for the three months ended March 31, 1995 decreased $40,236,000 or 15.0% below the same period during 1994. This decrease reflects the start of the 10% quota-share reinsurance agreement with AIG plus the purchase of additional catastrophe reinsurance coverage in January 1995. For the first quarter 1995, $26.9 million was ceded under the quota-share agreement, and $6.0 million was ceded for the additional catastrophe reinsurance. The decrease in net premiums written during the first three months of 1995 also reflected a decrease in total policies in force of 5.49% below the same period of 1994.

Premiums earned decreased $14,160,000 or 5.4% during the three months ended March 31, 1995 compared to the same period of 1994, again reflecting the quota-share agreement with AIG and the additional catastrophe reinsurance premiums.

The Company experienced an underwriting loss of $25 million for the first three months of 1995 compared to an underwriting loss of $511.1 million during the same period of 1994 reflecting the impact of the Northridge Earthquake. Excluding the effect of the Northridge Earthquake, the underwriting loss for the first quarter 1994 was $6.6 million. The earthquake impact on the first quarter 1995 was not material. As of March 31, 1995, the Company had received a total of 35,856 homeowner and condominium claims and 10,193 automobile claims as a result of the Northridge Earthquake. Total paid loss and allocated loss adjustment expense from the catastrophe have reached $846.7 million compared to $785.4 million as of December 31, 1994, and $93.3 million remains reserved for open

claims that numbered 3,279 at quarter-end compared to $154.3 million at year-end 1994.

The Company's automobile insurance line declined 1.8% during the first three months of 1995 from approximately 1,132,600 policies in force at December 31, 1994 to approximately 1,112,200 such policies in force at March 31, 1995. Assigned Risk increased to 7,952 policies in force at March 31, 1995 from 7,285 policies in force at December 31, 1994.

The Company's automobile programs experienced an underwriting profit of $4.0 million during the first quarter of 1995 compared to an underwriting loss of $5.3 million, excluding the effect of the Northridge Earthquake on automobile comprehensive claims, during the same period of 1994. Assigned Risk policies produced an underwriting loss of $1.2 million for the first quarter 1995 compared to a $1.1 million loss for the first quarter 1994. As of March 31, 1995, the Company has 7,952 Assigned Risk policies, up 16.3% when compared with the same period in 1994.

During the first quarter of 1995, based on historical experience and trends, the Company filed for an overall average rate adjustment of 3.65% on the automobile line of business. The Company is awaiting a response from the Insurance Commissioner. In the meantime, the Insurance Commissioner has granted a 5.2% increase for assigned risk automobile policyholders, effective June 1, 1995.

The Company resumed an aggressive marketing program within California during the quarter focusing on Northern California and San Diego, and expects the second and third quarters to show strong results for automobile unit growth.

During the first three months of 1995, total policies in force for the Company's other programs, homeowners, condominiums, and personal excess liability, declined to approximately 208,200 from approximately 217,200 policies in force as of December 31, 1994. This decline is a result of the DOI's order for the Company to discontinue writing new homeowners, condominium owners and earthquake insurance in order to reduce the Company's earthquake exposure.

Underwriting results for these programs are influenced by the variability caused by weather-related claims in the homeowners program. The underwriting loss for these programs was $24.3 million for the first quarter 1995 compared to an underwriting loss of $1.3 million, excluding the effect of the Northridge Earthquake, for the first quarter 1994.

The first quarter 1995 results were affected by a series of severe storms throughout the state. Total first-party property claims directly resulting from adverse weather are 5,823, with losses reaching $14.2 million on a pre-tax basis.

Results for the first quarter 1995 also include approximately $6.0 million of catastrophe reinsurance premiums related to the additional reinsurance coverage purchased in January 1995 in order to provide reinsurance coverage for the declining earthquake exposure. The additional coverage began at $200 million effective January 23, 1995 and declined throughout its term to expiration on May 15, 1995. The catastrophe reinsurance premiums for this policy affecting second quarter 1995 results will be approximately $1.8 million.

The Company's policy acquisition and general operating expense ratio continues to be one of the lowest in the industry. The ratio of underwriting expenses to earned premium was 9.9% for the first quarter of 1995 and for the first quarter of 1994, excluding the effect of the Northridge Earthquake.

Net investment income decreased 12.5% during the first three months of 1995 compared to the same period of 1994, resulting from a decrease in investments in order to increase statutory surplus and provide cash for earthquake claims payments. The average annual yield on the Company's invested assets was 7.5% for the first three months of 1995 and 6.6% for the first three months of 1994. The increase in the investment yield results from the Company's investment portfolio being converted from primarily tax-exempt to primarily taxable bonds during the second and third quarters of 1994 and from buying more taxable bonds in the

ITEM 2. (CONTINUED)

first quarter of 1995. Realized gains on sales of investments decreased in the quarter to $185,000 from $3.5 million for the first quarter of 1994.

Net loss during the first three months of 1995 declined $338.6 million or 99.6% below the same period of 1994 to $1.4 million from $340.0 million, reflecting the substantial decrease in earthquake losses and related expenses. The Northridge Earthquake contributed $360.0 million to the 1994 quarter's loss.

The effect of inflation on the net income of the Company during both these periods was not significant.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) Reports on Form 8-K

The Registrant filed four Form 8-K's during the three months ended March 31, 1995 as follows:

1. January 3, 1995 The Company announced the appointment of Robert M. Sandler and Howard I. Smith to its Board of

Directors. Both of the new directors are executives with American International Group, Inc.

2. January 27, 1995 — The Company announced a settlement of rebate liabilities associated with Proposition 103, passed by California voters on November 8, 1988.

3. February 13, 1995 — The Company announced its 1994 financial results including the Proposition 103 settlement and an increase to the Company's earthquake claim reserves.

4. February 22, 1995 — a) The Company announced the retirement of Neil H. Ashley as chief executive officer, and the appointment of William L. Mellick to that post.

   b) The Company further announced that Neil H. Ashley and Rex J. Bates will not stand for reelection at the annual meeting of shareholders and that Mr. Mellick will stand for election as a director, in place of Mr. Ashley.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

20TH CENTURY INDUSTRIES AND SUBSIDIARIES
(Registrant)

Date May 08, 1995 — WILLIAM L. MELLICK
President and Chief Executive Officer

Date May 08, 1995 — MARGARET CHANG
Treasurer and Assistant Secretary

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM 20TH CENTURY
INDUSTRIES FORM 10Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
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