

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

MERCURY GENERAL CORP

CIK: **64996** | IRS No.: **952211612** | State of Incorporation: **CA** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-12257** | Film No.: **06815621**
SIC: **6331** Fire, marine & casualty insurance

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): May 8, 2006

MERCURY GENERAL CORPORATION

(Exact Name of Registrant as Specified in Charter)

California	001-12257	95-221-1612
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(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

4484 Wilshire Boulevard
Los Angeles, California 90010
(Address of Principal Executive Offices)

(323) 937-1060
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 425 under the Exchange Act (17 CFR 240.14.a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the

[] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following information is furnished pursuant to Item 2.02, "Results of Operations and Financial Condition," and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section.

On May 8, 2006, Mercury General Corporation issued a press release announcing its financial results for the first quarter ended March 31, 2006. A copy of the press release is attached hereto as Exhibit 99.1.

The information contained in this Current Report, including the exhibit, shall not be incorporated by reference into any filing of Mercury General Corporation, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits.

99.1 Press Release, dated May 8, 2006, issued by Mercury General Corporation, furnished pursuant to Item 2.02 of Form 8-K.

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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 hereunto duly authorized.

Date: May 8, 2006

MERCURY GENERAL CORPORATION

By: /s/ THEODORE STALICK

Name: Theodore Stalick

Its: Chief Financial Officer

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EXHIBIT INDEX

Exhibit 99.1. Press Release, dated May 8, 2006, issued by Mercury General Corporation.

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MERCURY GENERAL CORPORATION ANNOUNCES FIRST QUARTER RESULTS

LOS ANGELES, May 8 /PRNewswire-FirstCall/ -- Mercury General Corporation (NYSE: MCY) reported today net income of \$58.6 million, or \$1.07 per share (diluted), in the first quarter 2006 compared with \$60.4 million, or \$1.10 per share (diluted), in the same period for 2005. Included in net income are net realized investment gains, net of tax, of \$4.2 million, or \$0.08 per share (diluted), in the first quarter of 2006 compared with net realized investment gains, net of tax, of \$2.7 million, or \$0.05 per share (diluted), for the same period in 2005.

Company-wide net premiums written were \$774 million in the first quarter 2006, a 6.1% increase over first quarter 2005 net premiums written of \$730 million. California net premiums written were \$566 million in the quarter, an increase of 7.6% over 2005.

The Company's combined ratio (GAAP basis) was 91.8% in the first quarter of 2006 compared with 92.6% in the same period for 2005. Positive development on prior period loss reserves was approximately \$10 million and \$20 million, respectively, for the periods ending March 31, 2006 and March 31, 2005.

Net investment income of \$39.4 million (after tax \$33.1 million) in the first quarter of 2006 increased by 37% over the same period in 2005. The after-tax yield on investment income was 4.1% on average assets of \$3.2 billion (fixed maturities and equities at cost) for the quarter. This compares with an after-tax yield on investment income of 3.4% on average investments of \$2.9 billion (fixed maturities and equities at cost) for the same period in 2005.

As previously reported, included in net income is an income tax charge, net of federal tax benefit, of approximately \$15 million, or \$0.27 per share (diluted), relating to Notices of Proposed Assessments upheld by the California State Board of Equalization ("SBE") for tax years 1993 through 1996 in which the Franchise Tax Board disallowed a portion of the Company's expenses related to management services provided to its insurance company subsidiaries. The Company believes that the deduction of these expenses is appropriate and intends to challenge the SBE decision in Superior Court.

The Board of Directors declared a second quarter dividend of \$0.48 per share, representing an 11.6% increase over the quarterly dividend amount paid in 2005. The dividend is to be paid on June 29, 2006 to shareholders of record on June 15, 2006. The Company's book value per share at March 31, 2006 was \$29.84.

Mercury General Corporation and its subsidiaries are a multiple line insurance organization offering predominantly personal automobile and homeowners insurance through a network of independent producers in many states. For more information, visit the Company's website at www.mercuryinsurance.com. The Company will be hosting a conference call and webcast today at 10:00 A.M.

Pacific time where management will discuss results and address questions. The teleconference and webcast can be accessed by calling (877) 807-1888 (USA), (706) 679-3827 (International) or by visiting www.mercuryinsurance.com. A replay of the call will be available beginning at 1:30 P.M. Pacific time and running through May 15, 2006. The replay telephone numbers are (800) 642-1687 (USA) or (706) 645-9291 (International). The conference ID# is 7839518. The replay will also be available on the Company's website shortly following the call.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. The statements contained in this press release are forward-looking statements based on the Company's current expectations and beliefs concerning future developments and their potential effects on the Company. There can be no assurance that future developments affecting the Company will be those anticipated by the Company. Actual results may differ from those projected in the forward-looking statements. These forward-looking statements involve significant risks and uncertainties (some of which are beyond the control of the Company) and are subject to change based upon various factors, including but not limited to the following risks and uncertainties: changes in the demand for the Company's insurance products, inflation and in general economic conditions; the accuracy and adequacy of the Company's pricing methodologies; adverse weather conditions or natural disasters in the markets served by the Company; market risks associated with the Company's investment portfolio; uncertainties related to estimates, assumptions and projections generally; the possibility that actual loss experience may vary adversely from the actuarial estimates made to determine the Company's loss reserves in general; the Company's ability to obtain and the timing of regulatory approval for requested rate changes; legislation adverse to the automobile insurance industry or business generally that may be enacted in California or other states; the Company's success in expanding its business in states outside of California; the presence of competitors with greater financial resources and the impact of competitive pricing; changes in driving patterns and loss trends; acts of war and terrorist activities; court decisions and trends in litigation and health care and auto repair costs and marketing efforts; and various legal, regulatory and litigation risks. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise. For a more detailed discussion of some of the foregoing risks and uncertainties, see the Company's filings with the Securities and Exchange Commission.

Mercury General Corporation

Information Regarding Non-GAAP Measures

The Company has presented information within this document containing operating measures which in management's opinion provide investors with useful, industry specific information to help them evaluate, and perform meaningful comparisons of, the Company's performance, but that may not be presented in accordance with Generally Accepted Accounting Principles ("GAAP"). These measures are not intended to replace, and should be read in conjunction with,

the GAAP financial results. The Company has reconciled these measures with the most directly comparable GAAP measure in the supplemental schedule entitled, "Summary of Operating Results."

Net premiums written represents the premiums charged on policies issued during a fiscal period. Net premiums earned, the most directly comparable GAAP measure, represents the portion of premiums written that is recognized as income in the financial statements for the periods presented and earned on a pro-rata basis over the term of the policies. Net premiums written is meant as supplemental information and is not intended to replace Net premiums earned. It should be read in conjunction with the GAAP financial results.

Paid losses and loss adjustment expenses is the portion of Incurred losses and loss adjustment expenses, the most directly comparable GAAP measure, excluding the effects of changes in the loss reserve accounts. Paid losses and loss adjustment expenses is meant as supplemental information and is not intended to replace Incurred losses and loss adjustment expenses. It should be read in conjunction with the GAAP financial results.

Mercury General Corporation and Subsidiaries
Summary of Operating Results
(000's) except per-share amounts and ratios
(unaudited)

	Quarter Ended March 31,	
	2006	2005
Net premiums written	\$ 774,020	\$ 729,830
Net premiums earned	736,680	684,714
Paid losses and loss adjustment expenses	479,340	424,672
Incurred losses and loss adjustment expenses	475,180	448,246
Net investment income	39,403	28,785
Net realized investment gains, net of tax	4,195	2,740
Net income	\$ 58,646	\$ 60,424
Basic average shares outstanding	54,623	54,535
Diluted average shares outstanding	54,745	54,717
Basic Per Share Data		
Net income	\$ 1.07	\$ 1.11
Net realized investment gains, net of tax	\$ 0.08	\$ 0.05
Diluted Per Share Data		
Net income	\$ 1.07	\$ 1.10
Net realized investment gains, net of tax	\$ 0.08	\$ 0.05

Operating Ratios--GAAP (a) Basis

Loss ratio	64.5%	65.5%
Expense ratio	27.3%	27.1%
Combined ratio	91.8%	92.6%

Reconciliations of Operating Measures
to Comparable GAAP (a) Measures

Net premiums written	\$ 774,020	\$ 729,830
Increase in unearned premiums	(37,340)	(45,116)
Net premiums earned	\$ 736,680	\$ 684,714
Paid losses and loss adjustment expenses	\$ 479,340	\$ 424,672
(Decrease) increase in net losses and loss adjustment expense reserves	(4,160)	23,574
Incurred losses and loss adjustment expenses	\$ 475,180	\$ 448,246

(a) Generally Accepted Accounting Principles

Mercury General Corporation and Subsidiaries
Other Supplemental Information
(000's) except ratios
(unaudited)

	Quarter Ended March 31,	
	2006	2005
California Operations		
Net Premiums Written	\$ 565,908	\$ 526,079
Net Premiums Earned	539,257	505,316
Loss Ratio	63.7%	65.8%
Expense Ratio	26.5%	25.6%
Combined Ratio	90.2%	91.4%
Non-California Operations		
Net Premiums Written	\$ 208,112	\$ 203,751
Net Premiums Earned	197,423	179,398
Loss Ratio	66.7%	64.4%
Expense Ratio	29.4%	31.4%
Combined Ratio	96.1%	95.8%

	At March 31,	
	2006	2005
Policies-in-force (000's)		

California Personal Auto	1,124	1,081
California Commercial Auto	21	21
Non-California Personal Auto	372	353
California Homeowners	247	221
Florida Homeowners	15	16

Notes:

All ratios are calculated on GAAP basis.

Mercury General Corporation and Subsidiaries
Condensed Balance Sheets and Other Information
(000's) except per-share amounts
(Unaudited)

	March 31, 2006	December 31, 2005
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Investments - available for sale		
Fixed maturities at market (amortized cost \$2,674,755 in 2006 and \$2,593,745 in 2005)	\$ 2,707,035	\$ 2,645,555
Equity securities at market (cost \$227,771 in 2006 and \$225,310 in 2005)	280,464	276,108
Short-term cash investments, at cost, which approximates market	333,782	321,049
Total investments	3,321,281	3,242,712
Net receivables	408,181	390,234
Deferred policy acquisition costs	204,921	197,943
Other assets	202,562	210,662
Total assets	\$ 4,136,945	\$ 4,041,551
Loss and loss adjustment expenses	\$ 1,011,567	\$ 1,022,603
Unearned premiums	939,813	902,567
Other liabilities	414,686	365,004
Notes payable	140,743	143,540
Shareholders' equity	1,630,136	1,607,837
Total liabilities and shareholders' equity	\$ 4,136,945	\$ 4,041,551
Common stock - shares outstanding	54,635	54,605
Book value per share	\$ 29.84	\$ 29.44
Statutory surplus	\$ 1.5 billion	\$ 1.5 billion
Portfolio duration	3.4 years	2.9 years

SOURCE Mercury General Corporation

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05/08/2006

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/Web site: <http://www.mercuryinsurance.com> /