

# SECURITIES AND EXCHANGE COMMISSION

## FORM 8-K

Current report filing

Filing Date: **2005-05-02** | Period of Report: **2005-05-02**  
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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.: **05789014**  
SIC: **6331** Fire, marine & casualty insurance

Mailing Address  
*LOS ANGELES*

Business Address  
*4484 WILSHIRE BOULEVARD  
LOS ANGELES CA 90010  
2139371060*

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

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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 2, 2005

MERCURY GENERAL CORPORATION

-----  
(Exact Name of Registrant as Specified in Charter)

California

001-12257

95-221-1612

-----  
(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)

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(323) 937-1060

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

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Not applicable

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(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

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] 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 2, 2005, Mercury General Corporation issued a press release announcing its financial results for the first quarter ended March 31, 2005. 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

(c) Exhibits.

99.1 Press Release, dated May 2, 2005, issued by Mercury General Corporation, furnished pursuant to Item 2.02 of Form 8-K.

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 2, 2005

MERCURY GENERAL CORPORATION

By: /s/ THEODORE STALICK  
-----  
Name: Theodore Stalick  
Its: Chief Financial Officer

EXHIBIT INDEX

Exhibit 99.1. Press Release, dated May 2, 2005, issued by Mercury General Corporation.

## MERCURY GENERAL CORPORATION ANNOUNCES FIRST QUARTER RESULTS

LOS ANGELES, May 2 /PRNewswire-FirstCall/ -- Mercury General Corporation (NYSE: MCY) reported today net income of \$60.4 million, or \$1.10 per share (diluted), in the first quarter 2005 compared with \$68.8 million, or \$1.26 per share (diluted), in the same period for 2004. Included in net income are net realized investment gains, net of tax, of \$2.7 million, or \$0.05 per share (diluted), in the first quarter of 2005 compared with net realized investment gains, net of tax, of \$3.7 million, or \$0.07 per share (diluted), for the same period in 2004.

Company-wide net premiums written were \$729.8 million in the first quarter 2005, a 15.8% increase over first quarter 2004 net premiums written of \$630.3 million. California net premiums written were \$526.1 million in the quarter, an increase of 5.2% over 2004. Non-California net premiums written were \$203.8 million in the quarter, a 56.5% increase over 2004. Non-California net premiums written represented 27.9% of the Company's total first quarter net premiums written, up from 20.7% in the first quarter of 2004.

The Company's combined ratio (GAAP basis) was 92.6% in the first quarter of 2005 compared with 89.1% in the same period for 2004. During the first quarter of 2005, the loss ratio was negatively impacted by increased loss frequency, particularly in the homeowners line of business, caused by near record rainfall in the state of California. Positive development on prior period loss reserves was approximately \$20 million and \$15 million, respectively, for the periods ending March 31, 2005 and March 31, 2004.

Net investment income of \$28.8 million (after tax \$25.0 million) in the first quarter of 2005 increased by 12% over the same period in 2004. The after-tax yield on investment income was 3.4% on average assets of \$2.9 billion (fixed maturities and equities at cost) for the quarter. This compares with an after tax yield on investment income of 3.7% on average investments of \$2.5 billion (fixed maturities and equities at cost) for the same period in 2004.

The Board of Directors declared a second quarter dividend of \$0.43 per share, representing a 16% increase over the quarterly dividend amount paid in 2004. The dividend is to be paid on June 30, 2005 to shareholders of record on June 15, 2005. The Company's book value per share at March 31, 2005 was \$27.21.

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](http://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](http://www.mercuryinsurance.com). A replay of the call will be available beginning at 1:30 P.M. Pacific time and running through May 9, 2005. The replay telephone numbers are (800) 642-1687 (USA) or (706) 645-9291 (International). The conference ID# is 5582558. 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, and in general economic conditions; the accuracy and adequacy of the Company's pricing methodologies; adverse weather conditions in the markets serviced 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; inflation and changes in economic conditions; 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  
 (unaudited)

	Quarter Ended March 31,	
	2005	2004
Net premiums written	\$ 729,830	\$ 630,283
Net premiums earned	684,714	591,937
Paid losses and loss adjustment expenses	424,672	362,906
Incurred losses and loss adjustment expenses	448,246	371,996
Net investment income	28,785	25,728
Net realized investment gains, net of tax	2,740	3,688
Net income	\$ 60,424	\$ 68,816
Basic average shares outstanding	54,535	54,430
Diluted average shares outstanding	54,717	54,607
Basic Per Share Data		
Net income	\$ 1.11	\$ 1.26
Net realized investment gains, net of tax	\$ 0.05	\$ 0.07
Diluted Per Share Data		
Net income	\$ 1.10	\$ 1.26
Net realized investment gains, net of tax	\$ 0.05	\$ 0.07
Operating Ratios--GAAP (a) Basis		
Loss ratio	65.5%	62.8%
Expense ratio	27.1%	26.3%
Combined ratio	92.6%	89.1%

Reconciliations of Operating Measures to  
Comparable GAAP (a) Measures

Net premiums written	\$	729,830	\$	630,283
Increase in unearned premiums		(45,116)		(38,346)
Net premiums earned	\$	684,714	\$	591,937
Paid losses and loss adjustment expenses	\$	424,672	\$	362,906
Increase in net losses and loss adjustment expense reserves		23,574		9,090
Incurred losses and loss adjustment expenses	\$	448,246	\$	371,996

(a) Generally Accepted Accounting Principles

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

	Quarter ending, March 31,	
	2005	2004
Total California Operations (1)		
Net Premiums Written	\$ 526,079	\$ 500,098
Net Premiums Earned	505,316	484,782
Loss Ratio	65.8%	63.5%
Expense Ratio	25.6%	25.7%
Combined Ratio	91.4%	89.2%
California Automobile lines		
Net Premiums Written	\$ 480,644	\$ 461,993
Net Premiums Earned	460,569	447,796
Loss Ratio	65.1%	64.7%
Expense Ratio	25.6%	25.6%
Combined Ratio	90.7%	90.3%
California Homeowners line		
Net Premiums Written	\$ 37,223	\$ 32,026
Net Premiums Earned	37,336	31,468
Loss Ratio	73.4%	47.4%
Expense Ratio	24.9%	25.8%
Combined Ratio	98.3%	73.2%

Non-California Operations (2)

Net Premiums Written	\$	203,751	\$	130,185
Net Premiums Earned		179,398		107,155
Loss Ratio		64.4%		60.0%
Expense Ratio		31.4%		28.8%
Combined Ratio		95.8%		88.8%

	At March 31, 2005	At March 31, 2004
Policies-in-force (000's)		
-----	-----	-----
California Personal Auto	1,081	1,041
California Commercial Auto	21	21
Non-California Personal Auto	353	216
California Homeowners	221	196
Florida Homeowners	16	11

All ratios are calculated on GAAP basis.

(1) Total California operations includes homeowners, auto, commercial property and other immaterial California business lines

(2) Includes all states except California

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

	March 31, 2005	December 31, 2004
	-----	-----
	(unaudited)	
Investments - available for sale		
Fixed maturities at market		
(amortized cost \$2,269,598 in 2005		
and \$2,164,955 in 2004)	\$ 2,327,639	\$ 2,245,311
Equity securities at market		
(cost \$210,938 in 2005 and		
\$210,553 in 2004)	256,768	254,362
Short-term cash investments, at cost,		
which approximates market	456,164	421,369
Total investments	3,040,571	2,921,042
Net receivables	360,859	367,662
Deferred policy acquisition costs	183,429	174,840
Other assets	171,290	146,199
Total assets	\$ 3,756,149	\$ 3,609,743
Loss and loss adjustment expenses	\$ 919,872	\$ 900,744
Unearned premiums	844,828	799,679
Other liabilities	371,279	325,029
Notes payable	136,001	124,743

Shareholders' equity	1,484,169		1,459,548
Total liabilities and shareholders' equity	\$ 3,756,149	\$	3,609,743
Common stock - shares outstanding	54,541		54,515
Book value per share	\$ 27.21	\$	26.77
Statutory surplus	\$1.39 billion		\$1.36 billion
Portfolio duration	3.0 years		3.2 years

SOURCE Mercury General Corporation

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05/02/2005

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