AMERCO /NV/
Form 10-Q
February 05, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

[x]QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended December 31, 2013

or

[ ]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from __________________ to __________________

Commission File Number	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
1-11255	AMERCO (A Nevada Corporation) 1325 Airmotive Way, Ste. 100 Reno, Nevada 89502-3239 Telephone (775) 688-6300	88-0106815

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 has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [x] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [x] Accelerated filer [ ]

Non-accelerated filer [ ] (Do not check if a smaller reporting company)   Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [x]

19,607,788 shares of AMERCO Common Stock, $0.25 par value, were outstanding at February 1, 2014

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Part i Financial information

ITEM 1. Financial Statements

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED balance sheets

	December 31, 2013	March 31, 2013
	(Unaudited)	
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 601,615	$ 463,744
Reinsurance recoverables and trade receivables, net	228,424	261,789
Inventories, net	65,258	56,396
Prepaid expenses	44,344	57,451
Investments, fixed maturities and marketable equities	1,122,121	1,095,338
Investments, other	239,348	241,765
Deferred policy acquisition costs, net	114,467	93,043
Other assets	95,395	99,986
Related party assets	170,038	182,035
	2,681,010	2,551,547
Property, plant and equipment, at cost:		
Land	392,725	333,228
Buildings and improvements	1,382,182	1,197,875
Furniture and equipment	320,587	311,142
Rental trailers and other rental equipment	356,416	317,476
Rental trucks	2,426,453	2,154,688
	4,878,363	4,314,409
Less: Accumulated depreciation	(1,685,264)	(1,559,355)
Total property, plant and equipment	3,193,099	2,755,054
Total assets	$ 5,874,109	$ 5,306,601
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 351,796	$ 358,491
Notes, loans and leases payable	1,862,869	1,661,845
Policy benefits and losses, claims and loss expenses payable	1,095,610	1,115,048
Liabilities from investment contracts	596,268	510,789
Other policyholders' funds and liabilities	7,271	7,294
Deferred income	29,489	30,217
Deferred income taxes	436,384	393,658
Total liabilities	4,379,687	4,077,342

Commitments and contingencies (notes 4, 8, 9 and 10)	–	–
Stockholders' equity:		
Series preferred stock, with or without par value, 50,000,000 shares authorized:		
Series A preferred stock, with no par value, 6,100,000 shares authorized;		
6,100,000 shares issued and none outstanding as of December 31 and March 31, 2013	–	–
Series B preferred stock, with no par value, 100,000 shares authorized; none		
issued and outstanding as of December 31 and March 31, 2013	–	–
Series common stock, with or without par value, 150,000,000 shares authorized:		
Series A common stock of $0.25 par value, 10,000,000 shares authorized;		
none issued and outstanding as of December 31 and March 31, 2013	–	–
Common stock of $0.25 par value, 150,000,000 shares authorized; 41,985,700		
issued and 19,607,788 outstanding as of December 31 and March 31, 2013	10,497	10,497
Additional paid-in capital	442,841	438,168
Accumulated other comprehensive loss	(46,192)	(22,680)
Retained earnings	1,766,242	1,482,630
Cost of common shares in treasury, net (22,377,912 shares as of December 31 and March 31, 2013)	(525,653)	(525,653)
Cost of preferred shares in treasury, net (6,100,000 shares as of December 31 and March 31, 2013)	(151,997)	(151,997)
Unearned employee stock ownership plan shares	(1,316)	(1,706)
Total stockholders' equity	1,494,422	1,229,259
Total liabilities and stockholders' equity	$ 5,874,109	$ 5,306,601

The accompanying notes are an integral part of these condensed consolidated financial statements.

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AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED Statements of operations

	Quarter Ended December 31,	
	2013	2012
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	$436,207	$394,945
Self-storage revenues	46,120	39,111
Self-moving and self-storage products and service sales	47,045	44,491
Property management fees	7,133	6,085
Life insurance premiums	39,198	43,248
Property and casualty insurance premiums	12,219	9,816
Net investment and interest income	20,887	22,603
Other revenue	32,537	22,188
Total revenues	641,346	582,487
Costs and expenses:		
Operating expenses	313,227	290,285
Commission expenses	55,573	51,130
Cost of sales	28,229	23,153
Benefits and losses	38,630	42,608
Amortization of deferred policy acquisition costs	4,457	3,391
Lease expense	24,468	27,575
Depreciation, net of (gains) on disposals of (($1,961) and ($1,831), respectively)	70,789	62,399
Total costs and expenses	535,373	500,541
Earnings from operations	105,973	81,946
Interest expense	(23,607)	(22,076)
Pretax earnings	82,366	59,870
Income tax expense	(30,145)	(23,024)
Earnings available to common stockholders	$52,221	$36,846
Basic and diluted earnings per common share	$2.67	$1.89
Weighted average common shares outstanding: Basic and diluted	19,563,663	19,523,794

Related party revenues for the third quarter of fiscal 2014 and 2013, net of eliminations, were $10.2 million and $9.4 million, respectively.

Related party costs and expenses for the third quarter of fiscal 2014 and 2013, net of eliminations, were $11.8 million and $10.4 million, respectively.

Please see Note 10, Related Party Transactions of the Notes to Condensed Consolidated Financial Statements for more information on the related party revenues and costs and expenses.

The accompanying notes are an integral part of these condensed consolidated financial statements.

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED Statements of operations

	Nine Months Ended December 31,	
	2013	2012
	(Unaudited) (In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	$1,556,787	$1,400,300
Self-storage revenues	133,791	111,825
Self-moving and self-storage products and service sales	183,115	173,399
Property management fees	17,586	15,847
Life insurance premiums	119,708	137,341
Property and casualty insurance premiums	31,052	26,006
Net investment and interest income	59,836	52,973
Other revenue	122,793	76,589
Total revenues	2,224,668	1,994,280
Costs and expenses:		
Operating expenses	973,268	883,892
Commission expenses	202,578	180,801
Cost of sales	98,331	86,292
Benefits and losses	119,255	139,418
Amortization of deferred policy acquisition costs	14,197	9,290
Lease expense	77,293	89,962
Depreciation, net of (gains) on disposals of (($22,837) and ($14,879), respectively)	191,431	177,478
Total costs and expenses	1,676,353	1,567,133
Earnings from operations	548,315	427,147
Interest expense	(70,053)	(67,680)
Pretax earnings	478,262	359,467
Income tax expense	(175,082)	(132,632)
Earnings available to common shareholders	$303,180	$226,835
Basic and diluted earnings per common share	$15.50	$11.62
Weighted average common shares outstanding: Basic and diluted	19,554,641	19,512,974

Related party revenues for the first nine months of fiscal 2014 and 2013, net of eliminations, were $27.0 million and $26.3 million, respectively.

Related party costs and expenses for the first nine months of fiscal 2014 and 2013, net of eliminations, were $41.7 million and $36.6 million, respectively.

Please see Note 10, Related Party Transactions of the Notes to Condensed Consolidated Financial Statements for more information on the related party revenues and costs and expenses.

The accompanying notes are an integral part of these condensed consolidated financial statements.

AMERCO AND CONSOLIDATED ENTITIES

Condensed consolidatED statements of COMPREHENSIVE INCOME (loss)

Quarter Ended December 31, 2013	Pre-tax	Tax	Net
	(Unaudited)		
	(In thousands)		
Comprehensive income:			
Net earnings	$82,366	$(30,145)	$52,221
Other comprehensive income (loss):			
Foreign currency translation	(3,325)	–	(3,325)
Unrealized net loss on investments	(2,251)	766	(1,485)
Change in fair value of cash flow hedges	4,398	(1,671)	2,727
Total comprehensive income	$81,188	$(31,050)	$50,138

Quarter Ended December 31, 2012	Pre-tax	Tax	Net
	(Unaudited)		
	(In thousands)		
Comprehensive income:			
Net earnings	$59,870	$(23,024)	$36,846
Other comprehensive income (loss):			
Foreign currency translation	(1,068)	–	(1,068)
Unrealized net gain on investments	18,368	(6,574)	11,794
Change in fair value of cash flow hedges	4,248	(1,614)	2,634
Total comprehensive income	$81,418	$(31,212)	$50,206

Nine Months Ended December 31, 2013	Pre-tax	Tax	Net
	(Unaudited)		
	(In thousands)		
Comprehensive income:			
Net earnings	$478,262	$(175,082)	$303,180
Other comprehensive income (loss):			
Foreign currency translation	(5,530)	–	(5,530)
Unrealized net loss on investments	(43,257)	15,020	(28,237)
Change in fair value of cash flow hedges	16,540	(6,285)	10,255
Total comprehensive income	$446,015	$(166,347)	$279,668

Nine Months Ended December 31, 2012	Pre-tax	Tax	Net
	(Unaudited)		
	(In thousands)		
Comprehensive income:			

Net earnings	$359,467	$(132,632)	$226,835
Other comprehensive income (loss):			
Foreign currency translation	462	–	462
Unrealized net gain on investments	30,914	(10,923)	19,991
Change in fair value of cash flow hedges	4,501	(1,710)	2,791
Total comprehensive income	$395,344	$(145,265)	$250,079

The accompanying notes are an integral part of these condensed consolidated financial statements.

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AMERCO AND CONSOLIDATED ENTITIES

Condensed consolidatED statements of cash flows

	Nine Months Ended December 31,	
	2013	2012
	(Unaudited)	
	(In thousands)	
Cash flow from operating activities:		
Net earnings	$303,180	$226,835
Adjustments to reconcile net earnings to cash provided by operations:		
Depreciation	214,268	192,357
Amortization of deferred policy acquisition costs	14,197	9,290
Change in allowance for losses on trade receivables	12	(73)
Change in allowance for inventory reserves	3,640	2,050
Net gain on sale of real and personal property	(22,837)	(14,879)
Net gain on sale of investments	(6,088)	(1,050)
Deferred income taxes	48,033	17,757
Net change in other operating assets and liabilities:		
Reinsurance recoverables and trade receivables	33,355	71,709
Inventories	(12,502)	696
Prepaid expenses	13,109	(13,283)
Capitalization of deferred policy acquisition costs	(25,128)	(43,085)
Other assets	7,929	22,712
Related party assets	5,630	139,590
Accounts payable and accrued expenses	(2,772)	(872)
Policy benefits and losses, claims and loss expenses payable	(18,337)	(30,226)
Other policyholders' funds and liabilities	(23)	(925)
Deferred income	(672)	(3,704)
Related party liabilities	6,257	1,388
Net cash provided by operating activities	561,251	576,287
Cash flows from investing activities:		
Purchases of:		
Property, plant and equipment	(690,293)	(422,840)
Short term investments	(203,763)	(289,773)
Fixed maturities investments	(237,502)	(308,290)
Equity securities	(388)	(3,130)
Preferred stock	(635)	(2,761)
Real estate	(431)	(1,053)
Mortgage loans	(48,632)	(50,583)
Proceeds from sales and paydowns of:		
Property, plant and equipment	214,078	166,904
Short term investments	211,841	280,890
Fixed maturities investments	124,145	85,132
Equity securities	26,957	–
Preferred stock	6,004	5,728

Real estate	–	671
Mortgage loans	45,234	49,215
Net cash used by investing activities	(553,385)	(489,890)
Cash flows from financing activities:		
Borrowings from credit facilities	323,039	251,319
Principal repayments on credit facilities	(238,553)	(234,698)
Debt issuance costs	(3,353)	(2,352)
Capital lease payments	(37,480)	(18,310)
Leveraged Employee Stock Ownership Plan - repayments from loan	390	559
Securitization deposits	–	(1,729)
Common stock dividends paid	–	(97,421)
Investment contract deposits	109,928	268,478
Investment contract withdrawals	(24,448)	(22,937)
Net cash provided by financing activities	129,523	142,909
Effects of exchange rate on cash	482	(362)
Increase in cash and cash equivalents	137,871	228,944
Cash and cash equivalents at the beginning of period	463,744	357,180
Cash and cash equivalents at the end of period	$601,615	$586,124

The accompanying notes are an integral part of these consolidated financial statements.

AMERCO and consolidated entities

notes to condensed consolidatED financial statements

1.Basis of Presentation

AMERCO, a Nevada corporation ("AMERCO"), has a third fiscal quarter that ends on the 31st of December for each year that is referenced. Our insurance company subsidiaries have a third quarter that ends on the 30th of September for each year that is referenced. They have been consolidated on that basis. Our insurance companies' financial reporting processes conform to calendar year reporting as required by state insurance departments. Management believes that consolidating their calendar year into our fiscal year financial statements does not materially affect the financial position or results of operations. The Company discloses any material events occurring during the intervening period. Consequently, all references to our insurance subsidiaries' years 2013 and 2012 correspond to fiscal 2014 and 2013 for AMERCO.

Accounts denominated in non-U.S. currencies have been translated into U.S. dollars. Certain amounts reported in previous years have been reclassified to conform to the current presentation.

The condensed consolidated balance sheet as of December 31, 2013 and the related condensed consolidated statements of operations, comprehensive income for the third quarter and first nine months and cash flows for the first nine months of fiscal 2014 and 2013 are unaudited.

In our opinion, all adjustments necessary for the fair presentation of such condensed consolidated financial statements have been included. Such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results for a full year. The information in this Quarterly Report on Form 10-Q ("Quarterly Report") should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2013.

Intercompany accounts and transactions have been eliminated.

Description of Legal Entities

AMERCO is the holding company for:

U-Haul International, Inc. ("U-Haul"),

Amerco Real Estate Company ("Real Estate"),

Repwest Insurance Company ("Repwest"), and

Oxford Life Insurance Company ("Oxford").

Unless the context otherwise requires, the term "Company," "we," "us" or "our" refers to AMERCO and all of its legal subsidiaries.

Description of Operating Segments

AMERCO has three reportable segments. They are Moving and Storage, Property and Casualty Insurance and Life Insurance.

The Moving and Storage operating segment includes AMERCO, U-Haul, and Real Estate and the wholly-owned subsidiaries of U-Haul and Real Estate. Operations consist of the rental of trucks and trailers, sales of moving supplies, sales of towing accessories, sales of propane, and the rental of fixed and mobile self-storage spaces to the “do-it-yourself” mover and management of self-storage properties owned by others. Operations are conducted under the registered trade name U-Haul® throughout the United States and Canada.

AMERCO and consolidated entities

notes to condensed consolidatED financial statements (Continued)

The Property and Casualty Insurance operating segment includes Repwest and its wholly-owned subsidiaries and ARCOA risk retention group ("ARCOA"). The Property and Casualty Insurance operating segment provides loss adjusting and claims handling for U-Haul through regional offices across North America. The Property and Casualty Insurance operating segment also underwrites components of the Safemove, Safetow, Safemove Plus, Safestor and Safestor Mobile protection packages to U-Haul customers. The business plan for the Property and Casualty Insurance operating segment includes offering property and casualty products in other U-Haul related programs. ARCOA is a group captive insurer owned by us and our wholly-owned subsidiaries whose purpose is to provide insurance products related to the moving and storage business.

The Life Insurance operating segment includes Oxford and its wholly-owned subsidiaries. The Life Insurance operating segment provides life and health insurance products primarily to the senior market through the direct writing and reinsuring of life insurance, Medicare supplement and annuity policies.

2. Earnings per Share

Our earnings per share is calculated by dividing our earnings available to common stockholders by the weighted average common shares outstanding, basic and diluted.

The weighted average common shares outstanding exclude post-1992 shares of the employee stock ownership plan that have not been committed to be released. The unreleased shares, net of shares committed to be released, were 39,570 and 75,657 as of December 31, 2013 and 2012, respectively.

3. Investments

Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

We deposit bonds with insurance regulatory authorities to meet statutory requirements. The adjusted cost of bonds on deposit with insurance regulatory authorities was $16.3 million at December 31, 2013.

Available-for-Sale Investments

Available-for-sale investments at December 31, 2013 were as follows:

	Amortized Cost (Unaudited)	Gross Unrealized Gains	Gross Unrealized Losses More than 12 Months	Gross Unrealized Losses Less than 12 Months	Estimated Market Value

	(In thousands)				
U.S. treasury securities and government obligations	$34,222	$1,877	$(2)	$(544)	$35,553
U.S. government agency mortgage-backed securities	42,401	2,585	(5)	(818)	44,163
Obligations of states and political subdivisions	164,451	7,287	–	(2,793)	168,945
Corporate securities	825,351	28,555	(57)	(24,274)	829,575
Mortgage-backed securities	5,161	321	–	(40)	5,442
Redeemable preferred stocks	18,440	274	(95)	(924)	17,695
Common stocks	18,485	2,751	(416)	(72)	20,748
	$1,108,511	$43,650	$(575)	$(29,465)	$1,122,121

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amerco and consolidated subsidiaries

notes to condensed consolidated financial statements – (continued)

The available-for-sale table includes gross unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

We sold available-for-sale securities with a fair value of $153.7 million during the first nine months of fiscal 2014. The gross realized gains on these sales totaled $5.0 million. The gross realized losses on these sales totaled $1.0 million.

The unrealized losses of more than twelve months in the available-for-sale table are considered temporary declines. We track each investment with an unrealized loss and evaluate them on an individual basis for other-than-temporary impairments including obtaining corroborating opinions from third party sources, performing trend analysis and reviewing management's future plans. Certain of these investments may have declines determined by management to be other-than-temporary and we recognize these write-downs through earnings. There were no write downs in the third quarter or for the first nine months of fiscal 2014 and 2013.

The investment portfolio primarily consists of corporate securities and U.S. government securities. We believe we monitor our investments as appropriate. Our methodology of assessing other-than-temporary impairments is based on security-specific analysis as of the balance sheet date and considers various factors, including the length of time to maturity, the extent to which the fair value has been less than the cost, the financial condition and the near-term prospects of the issuer, and whether the debtor is current on its contractually obligated interest and principal payments. Nothing has come to management's attention that would lead to the belief that each issuer would not have the ability to meet the remaining contractual obligations of the security, including payment at maturity. We have the ability and intent not to sell our fixed maturity and common stock investments for a period of time sufficient to allow us to recover our costs.

The portion of other-than-temporary impairment related to a credit loss is recognized in earnings. The significant inputs utilized in the evaluation of mortgage-backed securities credit losses include ratings, delinquency rates, and prepayment activity. The significant inputs utilized in the evaluation of asset backed securities credit losses include the time frame for principal recovery and the subordination and value of the underlying collateral.

There were no credit losses recognized in earnings for which a portion of an other-than-temporary impairment was recognized in the third quarter or for the first nine months of fiscal 2014 in other comprehensive income.

The adjusted cost and estimated market value of available-for-sale investments at December 31, 2013, by contractual maturity, were as follows:

	Amortized Cost	Estimated Market Value
	(Unaudited)	
	(In thousands)	
Due in one year or less	$20,299	$20,458
Due after one year through five years	185,073	194,815
Due after five years through ten years	338,942	343,111

Due after ten years	522,111	519,852
	1,066,425	1,078,236
Mortgage backed securities	5,161	5,442
Redeemable preferred stocks	18,440	17,695
Common stocks	18,485	20,748
	$1,108,511	$1,122,121

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amerco and consolidated subsidiaries

notes to condensed consolidated financial statements – (continued)

4. Borrowings

Long-Term Debt

Long-term debt was as follows:

	2014 Rate (a)	Maturities	December 31, 2013 (Unaudited)	March 31, 2013
			(In thousands)	
Real estate loan (amortizing term)	6.93%	2023	$ 252,500	$ 235,000
Real estate loan (amortizing term)	2.07%	2016	6,982	24,630
Real estate loan (revolving credit)	–	2014	–	–
Senior mortgages	2.67% - 5.75%	2015 - 2038	691,630	556,522
Working capital loan (revolving credit)	–	2015	–	–
Fleet loans (amortizing term)	1.95% - 6.14%	2014 - 2020	390,083	361,079
Fleet loans (securitization)	4.90%	2017	93,754	190,801
Capital leases (rental equipment)	2.23% - 7.82%	2015 - 2020	390,410	273,458
Other obligations	3.00% - 8.00%	2014 - 2043	37,510	20,355
Total notes, loans and leases payable			$ 1,862,869	$ 1,661,845

(a) Interest rate as of December 31, 2013, including the effect of applicable hedging instruments.

Real Estate Backed Loans

Real Estate Loan

Amerco Real Estate Company and certain of its subsidiaries and U-Haul Company of Florida are borrowers under a Real Estate Loan. During the first quarter of fiscal 2014 this loan was amended. As part of the amendment the revolver component of the agreement was terminated and certain collateral was released. The final maturity date of the term loan was extended to April 2023. As of December 31, 2013, the outstanding balance on the Real Estate Loan was $252.5 million. U-Haul International, Inc. is a guarantor of this loan. The Real Estate Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The Real Estate Loan is secured by various properties owned by the borrowers.

The interest rate, per the provisions of the amended loan agreement, is the applicable London Inter-Bank Offer Rate (“LIBOR”) plus the applicable margin. At December 31, 2013, the applicable LIBOR was 0.17% and the applicable margin was 1.50%, the sum of which was 1.67% which applied to $25.8 million of the Real Estate Loan. The rate on the remaining balance of $226.7 million of the Real Estate Loan is hedged with an interest rate swap fixing the rate at 6.93% based on current margin. The default provisions of the Real Estate Loan include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

Amerco Real Estate Company and a subsidiary of U-Haul International, Inc. entered into a revolving credit construction loan effective June 29, 2006. This loan was modified and extended on June 27, 2011. The loan is now comprised of a term loan facility with an initial availability of $26.1 million and a final maturity of June 2016. As of December 31, 2013, the outstanding balance was $7.0 million.

This Real Estate Loan requires monthly principal and interest payments, with the unpaid loan balance and any accrued and unpaid interest due at maturity. The interest rate, per the provision of this loan agreement, is the applicable LIBOR plus a margin of 1.90%. At December 31, 2013, the applicable LIBOR was 0.17% and the margin was 1.90%, the sum of which was 2.07%. U-Haul International, Inc. and AMERCO are guarantors of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

amerco and consolidated subsidiaries

notes to condensed consolidated financial statements – (continued)

On April 29, 2011, Amerco Real Estate Company and U-Haul Company of Florida entered into a revolving credit agreement for $100.0 million. This agreement was amended in February 2013 and the maturity extended to April 2014 with an option for a one year extension and the revolver commitment was reduced to $50.0 million. As of December 31, 2013, we had the full $50.0 million available to be drawn. The interest rate is the applicable LIBOR plus a margin of 1.25%. AMERCO and U-Haul International, Inc. are guarantors of this facility. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

Senior Mortgages

Various subsidiaries of Amerco Real Estate Company and U-Haul International, Inc. are borrowers under certain senior mortgages. These senior mortgage loan balances as of December 31, 2013 were in the aggregate amount of $691.6 million and mature between 2015 and 2038. The senior mortgages require average monthly principal and interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. The senior mortgages are secured by certain properties owned by the borrowers. The fixed interest rates, per the provisions of the senior mortgages, range between 4.90% and 5.75%. Additionally, $99.3 million of these loans have an interest rate comprised of an applicable LIBOR of 0.17% plus a margin of 2.50%, the sum of which was 2.67%. Amerco Real Estate Company and U-Haul International, Inc. have provided limited guarantees of the senior mortgages. The default provisions of the senior mortgages include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

Working Capital Loans

Amerco Real Estate Company is a borrower under an asset backed working capital loan. The maximum amount that can be drawn at any one time is $25.0 million. At December 31, 2013, we had the full $25.0 million available to be drawn. This loan is secured by certain properties owned by the borrower. This loan agreement provides for revolving loans, subject to the terms of the loan agreement. This agreement was amended in February 2013 and the maturity extended to April 2015. This loan requires monthly interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. U-Haul International, Inc. and AMERCO are the guarantors of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants. The interest rate, per the provision of this loan agreement, is the applicable LIBOR plus a margin of 1.25%.

Fleet Loans

Rental Truck Amortizing Loans

U-Haul International, Inc. and several of its subsidiaries are borrowers under amortizing term loans. The balance of the loans as of December 31, 2013 was $275.1 million with the final maturities between February 2014 and September 2020.

The Amortizing Loans require monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. These loans were used to purchase new trucks. The interest rates, per the provision of the Loan Agreements, are the applicable LIBOR plus the applicable margins. At December 31, 2013, the applicable LIBOR was between 0.16% and 0.17% and applicable margins were between 0.90% and 2.63%. The interest rates are hedged with interest rate swaps fixing the rates between 2.82% and 6.14% based on current margins. Additionally, $103.0 million of these loans are carried at fixed rates ranging between 1.95% and 3.94%.

AMERCO and U-Haul International, Inc. are guarantors of these loans. The default provisions of these loans include non-payment of principal or interest and other standard reporting and change-in-control covenants.

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notes to condensed consolidated financial statements – (continued)

On December 31, 2009, a subsidiary of U-Haul International, Inc. entered into an $85.0 million term note that was used to fund new truck acquisitions. This term note was amended on August 26, 2011. The amount of the term note was increased to $95.0 million. On December 22, 2011, we entered into another term loan for $20.0 million. The final maturity date of these notes is August 2016. The agreements contain options to extend the maturity through May 2017. These notes are secured by the purchased equipment and the corresponding operating cash flows associated with their operation. These notes have fixed interest rates between 3.52% and 3.53%. At December 31, 2013, the outstanding balance was $115.0 million.

AMERCO and U-Haul International, Inc. are guarantors of these loans. The default provisions of these loans include non-payment of principal or interest and other standard reporting and change-in-control covenants.

Rental Truck Securitizations

U-Haul S Fleet and its subsidiaries (collectively, "USF") issued a $217.0 million asset-backed note ("2007 Box Truck Note") on June 1, 2007 to finance new box truck purchases throughout fiscal 2008. This note was paid in full in November 2013.

2010 U-Haul S Fleet and its subsidiaries (collectively, "2010 USF") issued a $155.0 million asset-backed note ("2010 Box Truck Note") on October 28, 2010. 2010 USF is a bankruptcy-remote special purpose entity wholly-owned by U-Haul International, Inc. The net proceeds from the securitized transaction were used to finance new box truck purchases. U.S. Bank, NA acts as the trustee for this securitization.

The 2010 Box Truck Note has a fixed interest rate of 4.90% with an expected final maturity of October 2017. At December 31, 2013, the outstanding balance was $93.8 million. The note is secured by the box trucks being purchased and the corresponding operating cash flows associated with their operation.

The 2010 Box Truck Note is subject to certain covenants with respect to liens, additional indebtedness of the special purpose entity, the disposition of assets and other customary covenants of bankruptcy-remote special purpose entities. The default provisions of this note include non-payment of principal or interest and other standard reporting and change-in-control covenants.

Capital Leases

We entered into capital leases for new equipment between April 2008 and December 2013, with terms of the leases between 3 and 7 years. At December 31, 2013, the balance of these leases was $390.4 million.

Other Obligations

In February 2011, the Company and US Bank, National Association (the "Trustee") entered into the U-Haul Investors Club Indenture. The Company and the Trustee entered into this indenture to provide for the issuance of notes by us directly to investors over our proprietary website, uhaulinvestorsclub.com ("U-Notes"). The U-Notes are secured by various types of collateral including rental equipment and real estate. U-Notes are issued in smaller series that vary as to principal amount, interest rate and maturity. U-Notes are obligations of the Company and secured by the associated collateral; they are not guaranteed by any of the Company's affiliates or subsidiaries.

At December 31, 2013, the aggregate outstanding principal balance of the U-Notes issued was $43.6 million of which $6.1 million is with our insurance subsidiaries with interest rates between 3.00% and 8.00% and maturity dates between 2014 and 2043.

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notes to condensed consolidated financial statements – (continued)

Annual Maturities of Notes, Loans and Leases Payable

The annual maturities of long-term debt as of December 31, 2013 for the next five years and thereafter are as follows:

	Year Ending December 31,					
	2014	2015	2016	2017	2018	Thereafter
	(Unaudited)					
	(In thousands)					
Notes, loans and leases payable, secured	$181,314	$590,424	$347,710	$168,771	$138,288	$436,362

Interest on Borrowings

Interest Expense

Components of interest expense include the following:

	Quarter Ended December 31,	
	2013	2012
	(Unaudited)	
	(In thousands)	
Interest expense	$18,532	$16,540
Capitalized interest	(162)	(119)
Amortization of transaction costs	1,106	1,014
Interest expense resulting from derivatives	4,131	4,641
Total interest expense	$23,607	$22,076

	Nine Months Ended December 31,	
	2013	2012
	(Unaudited)	
	(In thousands)	
Interest expense	$54,401	$48,715
Capitalized interest	(432)	(290)
Amortization of transaction costs	2,800	3,149
Interest expense resulting from derivatives	13,284	16,106
Total interest expense	$70,053	$67,680

Interest paid in cash, including payments related to derivative contracts, amounted to $20.7 million and $20.8 million for the third quarter of fiscal 2014 and 2013, respectively and $65.6 million and $63.3 million for the first nine months of fiscal 2014 and 2013, respectively.

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notes to condensed consolidated financial statements – (continued)

Interest Rates

Interest rates and Company borrowings were as follows:

	Revolving Credit Activity Quarter Ended December 31,	
	2013	2012
	(Unaudited) (In thousands, except interest rates)	
Weighted average interest rate during the quarter	0.00%	1.57%
Interest rate at the end of the quarter	0.00%	1.61%
Maximum amount outstanding during the quarter	$–	$25,000
Average amount outstanding during the quarter	$–	$24,185
Facility fees	$56	$115

	Revolving Credit Activity Nine Months Ended December 31,	
	2013	2012
	(Unaudited) (In thousands, except interest rates)	
Weighted average interest rate during the first nine months	1.00%	1.67%
Interest rate at the end of the first nine months	0.00%	1.61%
Maximum amount outstanding during the first nine months	$25,000	$48,920
Average amount outstanding during the first nine months	$16,364	$24,830
Facility fees	$212	$399

amerco and consolidated subsidiaries

notes to condensed consolidated financial statements – (continued)

5. Derivatives

We manage exposure to changes in market interest rates. Our use of derivative instruments is limited to highly effective interest rate swaps to hedge the risk of changes in cash flows (future interest payments) attributable to changes in LIBOR swap rates, the designated benchmark interest rate being hedged on certain of our LIBOR indexed variable rate debt and a variable rate operating lease. The interest rate swaps effectively fix our interest payments on certain LIBOR indexed variable rate debt. We monitor our positions and the credit ratings of our counterparties and do not currently anticipate non-performance by the counterparties. Interest rate swap agreements are not entered into for trading purposes.

Original variable rate debt amount (in millions)		Agreement Date	Effective Date	Expiration Date	Designated cash flow hedge date
$ 300.0		8/16/2006	8/18/2006	8/10/2018	8/4/2006
30.0		2/9/2007	2/12/2007	2/10/2014	2/9/2007
20.0		3/8/2007	3/12/2007	3/10/2014	3/8/2007
20.0		3/8/2007	3/12/2007	3/10/2014	3/8/2007
19.3	(a)	4/8/2008	8/15/2008	6/15/2015	3/31/2008
19.0		8/27/2008	8/29/2008	7/10/2015	4/10/2008
30.0		9/24/2008	9/30/2008	9/10/2015	9/24/2008
15.0	(a)	3/24/2009	3/30/2009	3/30/2016	3/25/2009
14.7	(a)	7/6/2010	8/15/2010	7/15/2017	7/6/2010
25.0	(a)	4/26/2011	6/1/2011	6/1/2018	7/1/2011
50.0	(a)	7/29/2011	8/15/2011	8/15/2018	7/29/2011
20.0	(a)	8/3/2011	9/12/2011	9/10/2018	8/3/2011
15.1	(b)	3/27/2012	3/28/2012	3/28/2019	3/26/2012
25.0		4/13/2012	4/16/2012	4/1/2019	4/12/2012
44.3		1/11/2013	1/15/2013	12/15/2019	1/11/2013

(a) forward swap
(b) operating lease

As of December 31, 2013, the total notional amount of our variable interest rate swaps on debt and an operating lease was $400.2 million and $12.7 million, respectively.

The derivative fair values located in Accounts payable and accrued expenses in the balance sheets were as follows:

	Liability Derivatives Fair Values as of	
	December 31, 2013	March 31, 2013
	(Unaudited)	

	(In thousands)	
Interest rate contracts designated as hedging instruments	$35,462	$51,550

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notes to condensed consolidated financial statements – (continued)

	The Effect of Interest Rate Contracts on the Statements of Operations For the Nine Months Ended	
	December 31, 2013	December 31, 2012
	(Unaudited)	
	(In thousands)	
Loss recognized in income on interest rate contracts	$ 13,284	$ 16,106
Gain recognized in AOCI on interest rate contracts (effective portion)	$ (16,540)	$ (4,501)
Loss reclassified from AOCI into income (effective portion)	$ 12,832	$ 14,828
Loss recognized in income on interest rate contracts (ineffective portion and amount excluded from effectiveness testing)	$ 452	$ 1,278

Gains or losses recognized in income on derivatives are recorded as interest expense in the statements of operations. At December 31, 2013, we expect to reclassify $14.6 million of net losses on interest rate contracts from accumulated other comprehensive income to earnings as interest expense over the next twelve months. During the first nine months of fiscal 2014, we reclassified $12.8 million of net losses on interest rate contracts from accumulated other comprehensive income to interest expense.

6.Stockholders' Equity

On December 4, 2013, we declared a special cash dividend on our common stock of $1.00 per share to holders of record on January 10, 2014 which will be payable on February 14, 2014.

7. Comprehensive Income (Loss)

A summary of accumulated other comprehensive income (loss) components, net of tax, were as follows:

	Foreign Currency Translation	Unrealized Net Gain (Loss) on Investments	Fair Market Value of Cash Flow Hedges	Postretirement Benefit Obligation Gain	Accumulated Other Comprehensive Income (Loss)
	(Unaudited)				
	(In thousands)				
Balance at March 31, 2013	$ (30,153)	$ 39,645	$ (32,298)	$ 126	$ (22,680)
Foreign currency translation	(5,530)	–	–	–	(5,530)

Unrealized net loss on investments	–	(28,237)	–	–	(28,237)
Change in fair value of cash flow hedges	–	–	(2,577)	–	(2,577)
Amounts reclassified from AOCI	–	–	12,832	–	12,832
Other comprehensive income (loss)	(5,530)	(28,237)	10,255	–	(23,512)
Balance at December 31, 2013	$ (35,683)	$ 11,408	$ (22,043)	$ 126	$ (46,192)

8. Contingent Liabilities and Commitments

We lease a portion of our rental equipment and certain of our facilities under operating leases with terms that expire at various dates substantially through 2020. As of December 31, 2013, we have guaranteed $96.9 million of residual values for these rental equipment assets at the end of the respective lease terms. Certain leases contain renewal and fair market value purchase options as well as mileage and other restrictions. At the expiration of the lease, we have the option to renew the lease, purchase the asset for fair market value, or sell the asset to a third party on behalf of the lessor. We have been leasing equipment since 1987 and have experienced no material losses relating to these types of residual value guarantees.

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notes to condensed consolidated financial statements – (continued)

Lease commitments for leases having terms of more than one year were as follows:

	Property, Plant and Equipment	Rental Equipment	Total
	(Unaudited)		
		(In thousands)	
Year-ended December 31:			
2014	$7,641	$64,973	$72,614
2015	2,039	41,075	43,114
2016	1,909	16,616	18,525
2017	1,782	11,297	13,079
2018	811	9,980	10,791
Thereafter	4,601	3,122	7,723
Total	$18,783	$147,063	$165,846

9. Contingencies

Environmental

Compliance with environmental requirements of federal, state and local governments may significantly affect Real Estate’s business operations. Among other things, these requirements regulate the discharge of materials into the air, land and water and govern the use and disposal of hazardous substances. Real Estate is aware of issues regarding hazardous substances on some of its properties. Real Estate regularly makes capital and operating expenditures to stay in compliance with environmental laws and has put in place a remedial plan at each site where it believes such a plan is necessary. Since 1988, Real Estate has managed a testing and removal program for underground storage tanks.

Based upon the information currently available to Real Estate, compliance with the environmental laws and its share of the costs of investigation and cleanup of known hazardous waste sites are not expected to result in a material adverse effect on AMERCO’s financial position or results of operations.

Other

We are named as a defendant in various other litigation and claims arising out of the normal course of business. In management’s opinion, none of these other matters will have a material effect on our financial position and results of operations.

10. Related Party Transactions

As set forth in the Audit Committee Charter and consistent with Nasdaq Listing Rules, our Audit Committee (the "Audit Committee") reviews and maintains oversight over related party transactions which are required to be disclosed under the Securities and Exchange Commission ("SEC") rules and regulations. Accordingly, all such related party transactions are submitted to the Audit Committee for ongoing review and oversight. Our internal processes ensure that our legal and finance departments identify and monitor potential related party transactions which may require disclosure and Audit Committee oversight.

AMERCO has engaged in related party transactions and has continuing related party interests with certain major stockholders, directors and officers of the consolidated group as disclosed below. Management believes that the transactions described below and in the related notes were completed on terms substantially equivalent to those that would prevail in third party, arm's-length transactions.

amerco and consolidated subsidiaries

notes to condensed consolidated financial statements – (continued)

SAC Holding Corporation and SAC Holding II Corporation, (collectively "SAC Holdings") were established in order to acquire and develop self-storage properties. These properties are being managed by us pursuant to management agreements. Between 1994 and 2002, we sold real estate and various self-storage properties to SAC Holdings, resulting in significant cash flows to the Company.

Related Party Revenue

	Quarter Ended December 31,	
	2013	2012
	(Unaudited)	
	(In thousands)	
U-Haul interest income revenue from SAC Holdings	$1,730	$1,981
U-Haul interest income revenue from Private Mini	1,347	1,356
U-Haul management fee revenue from SAC Holdings	3,977	3,585
U-Haul management fee revenue from Private Mini	614	580
U-Haul management fee revenue from Mercury	2,543	1,920
	$10,211	$9,422

	Nine Months Ended December 31,	
	2013	2012
	(Unaudited)	
	(In thousands)	
U-Haul interest income revenue from SAC Holdings	$5,382	$6,438
U-Haul interest income revenue from Private Mini	4,033	4,059
U-Haul management fee revenue from SAC Holdings	12,240	11,271
U-Haul management fee revenue from Private Mini	1,812	1,720
U-Haul management fee revenue from Mercury	3,536	2,856
	$27,003	$26,344

During the first nine months of fiscal 2014, subsidiaries of the Company held various junior unsecured notes of SAC Holdings. Substantially all of the equity interest of SAC Holdings is controlled by Blackwater Investments, Inc. ("Blackwater"). Blackwater is wholly-owned by Mark V. Shoen, a significant stockholder of AMERCO. We do not have an equity ownership interest in SAC Holdings. We received cash interest payments of $15.6 million and $10.7 million from SAC Holdings during the first nine months of fiscal 2014 and 2013, respectively. The largest aggregate amount of notes receivable outstanding during the first nine months of fiscal 2014 was $72.4 million and the aggregate notes receivable balance at December 31, 2013 was $71.7 million. In accordance with the terms of these notes, SAC Holdings may prepay the notes without penalty or premium at any time. The scheduled maturities of these notes are between 2017 and 2019.

During the first nine months of fiscal 2014, AMERCO and U-Haul held various junior notes issued by Private Mini Storage Realty, L.P. ("Private Mini"). The equity interests of Private Mini are ultimately controlled by Blackwater. We received cash interest payments of $4.0 million and $4.1 million from Private Mini during the first nine months of both fiscal 2014 and 2013, respectively. The largest aggregate amount outstanding during the first nine months of fiscal 2014 was $65.9 million and the aggregate notes receivable balance at December 31, 2013 was $65.6 million.

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notes to condensed consolidated financial statements – (continued)

We currently manage the self-storage properties owned or leased by SAC Holdings, Mercury Partners, L.P. (“Mercury”), Four SAC Self-Storage Corporation (“4 SAC”), Five SAC Self-Storage Corporation (“5 SAC”), Galaxy Investments, L.P. (“Galaxy”) and Private Mini pursuant to a standard form of management agreement, under which we receive a management fee of between 4% and 10% of the gross receipts plus reimbursement for certain expenses. We received management fees, exclusive of reimbursed expenses, of $20.8 million and $19.1 million from the above mentioned entities during the first nine months of fiscal 2014 and 2013, respectively. This management fee is consistent with the fee received for other properties the Company previously managed for third parties. SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini are substantially controlled by Blackwater. Mercury is substantially controlled by Mark V. Shoen. James P. Shoen, a significant stockholder and director of AMERCO and an estate planning trust benefitting Shoen children also have an interest in Mercury.

Related Party Costs and Expenses

	Quarter Ended December 31,	
	2013	2012
	(Unaudited)	
	(In thousands)	
U-Haul lease expenses to SAC Holdings	$655	$655
U-Haul commission expenses to SAC Holdings	10,414	9,142
U-Haul commission expenses to Private Mini	691	575
	$11,760	$10,372

	Nine Months Ended December 31,	
	2013	2012
	(Unaudited)	
	(In thousands)	
U-Haul lease expenses to SAC Holdings	$1,965	$1,971
U-Haul commission expenses to SAC Holdings	37,341	32,531
U-Haul commission expenses to Private Mini	2,379	2,082
	$41,685	$36,584

We lease space for marketing company offices, vehicle repair shops and hitch installation centers from subsidiaries of SAC Holdings, 5 SAC and Galaxy. The terms of the leases are similar to the terms of leases for other properties owned by unrelated parties that are leased to us.

At December 31, 2013, subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini acted as U-Haul independent dealers. The financial and other terms of the dealership contracts with the aforementioned companies and their subsidiaries are substantially identical to the terms of those with our other independent dealers whereby commissions are paid by the Company based upon equipment rental revenues.

These agreements and notes with subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini, excluding Dealer Agreements, provided revenues of $23.5 million, expenses of $2.0 million and cash flows of $36.5 million during the first nine months of fiscal 2014. Revenues and commission expenses related to the Dealer Agreements were $181.5 million and $39.7 million, respectively during the first nine months of fiscal 2014.

amerco and consolidated subsidiaries

notes to condensed consolidated financial statements – (continued)

Pursuant to the variable interest entity model under ASC 810 – Consolidation ("ASC 810"), Management determined that the junior notes of SAC Holding Corporation and Private Mini as well as the management agreements with SAC Holdings, Mercury, 4 SAC, 5 SAC, Galaxy, and Private Mini represent potential variable interests for us. Management evaluated whether it should be identified as the primary beneficiary of one or more of these variable interest entity's ("VIE's") using a two-step approach in which management (i) identified all other parties that hold interests in the VIE's, and (ii) determined if any variable interest holder has the power to direct the activities of the VIE's that most significantly impact their economic performance.

Management determined that they do not have a variable interest in the holding entities Mercury, SAC Holding II Corporation, 4 SAC, 5 SAC, or Galaxy based upon management agreements which are with the individual operating entities or through the issuance of junior debt; therefore, we are precluded from consolidating these entities.

We have junior debt with the holding entities SAC Holding Corporation and Private Mini which represents a variable interest in each individual entity. Though we have certain protective rights within these debt agreements, we have no present influence or control over these holding entities unless their protective rights become exercisable, which management considers unlikely based on their payment history. As a result, we have no basis under ASC 810 to consolidate these entities.

We do not have the power to direct the activities that most significantly impact the economic performance of the individual operating entities which have management agreements with U-Haul. There are no fees or penalties disclosed in the management agreement for termination of the agreement. Through control of the holding entities' assets, and its ability and history of making key decisions relating to the entity and its assets, Blackwater, and its owner, are the variable interest holder with the power to direct the activities that most significantly impact each of the individual holding entities and the individual operating entities' performance. As a result, we have no basis under ASC 810 to consolidate these entities.

We have not provided financial or other support during the first nine months ended December 31, 2013 to any of these entities that we were not previously contractually required to provide. In addition, we currently have no plan to provide any financial support to any of these entities in the future. The carrying amount and classification of the assets and liabilities in our balance sheets that relate to our variable interests in the aforementioned entities are as follows, which approximate the maximum exposure to loss as a result of our involvement with these entities:

Related Party Assets

	December 31, 2013	March 31, 2013
	(Unaudited)	
	(In thousands)	
U-Haul notes, receivables and interest from Private Mini	$72,365	$68,593
U-Haul notes receivable from SAC Holding Corporation	71,721	72,397
U-Haul interest receivable from SAC Holdings	4,293	14,483
U-Haul receivable from SAC Holdings	18,259	22,336
U-Haul receivable from Mercury	5,472	3,640
Other (a)	(2,072)	586
	$170,038	$182,035

(a) Timing difference for intercompany balances with insurance subsidiaries.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

11. Consolidating Financial Information by Industry Segment

AMERCO's three reportable segments are:

- Moving and Storage, comprised of AMERCO, U-Haul, and Real Estate and the subsidiaries of U-Haul and Real Estate,

- Property and Casualty Insurance, comprised of Repwest and its subsidiaries and ARCOA, and

- Life Insurance, comprised of Oxford and its subsidiaries.

Management tracks revenues separately, but does not report any separate measure of the profitability for rental vehicles, rentals of self-storage spaces and sales of products that are required to be classified as a separate operating segment and accordingly does not present these as separate reportable segments. Deferred income taxes are shown as liabilities on the condensed consolidating statements.

The information includes elimination entries necessary to consolidate AMERCO, the parent, with its subsidiaries.

Investments in subsidiaries are accounted for by the parent using the equity method of accounting.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

11. Financial Information by Consolidating Industry Segment:

Consolidating balance sheets by industry segment as of December 31, 2013 are as follows:

	Moving & Storage						AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Eliminations		Moivng & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	
	(Unaudited) (In thousands)									
Assets:										
Cash and cash equivalents	$476,551	$92,695	$2,174	$–		$571,420	$5,601	$24,594	$–	
Reinsurance recoverables and trade receivables, net	–	29,847	177	–		30,024	162,714	35,686	–	
Inventories, net	–	65,258	–	–		65,258	–	–	–	
Prepaid expenses	–	43,618	726	–		44,344	–	–	–	
Investments, fixed maturities and marketable equities	–	–	–	–		–	188,155	933,966	–	
Investments, other	–	–	32,351	–		32,351	49,006	157,991	–	
Deferred policy acquisition costs, net	–	–	–	–		–	–	114,467	–	
Other assets	113	59,742	34,255	–		94,110	1,008	277	–	
Related party assets	1,021,397	117,121	12	(964,556)	(c)	173,974	13,594	492	(18,022)	(c)
	1,498,061	408,281	69,695	(964,556)		1,011,481	420,078	1,267,473	(18,022)	
Investment in subsidiaries	477,063	–	–	(104,285)	(b)	372,778	–	–	(372,778)	(b)
Property, plant and										

equipment, at cost:								
Land	–	55,599	337,126	–	392,725	–	–	–
Buildings and improvements	–	200,961	1,181,221	–	1,382,182	–	–	–
Furniture and equipment	70	308,713	11,804	–	320,587	–	–	–
Rental trailers and other rental equipment	–	356,416	–	–	356,416	–	–	–
Rental trucks	–	2,426,453	–	–	2,426,453	–	–	–
	70	3,348,142	1,530,151	–	4,878,363	–	–	–
Less: Accumulated depreciation	(55)	(1,305,591)	(379,618)	–	(1,685,264)	–	–	–
Total property, plant and equipment	15	2,042,551	1,150,533	–	3,193,099	–	–	–
Total assets	$1,975,139	$2,450,832	$1,220,228	$(1,068,841)	$4,577,358	$420,078	$1,267,473	$(390,800)

(a) Balances as of September 30, 2013
(b) Eliminate investment in subsidiaries
(c) Eliminate intercompany receivables and payables

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AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Consolidating balance sheets by industry segment as of December 31, 2013 are as follows:

	Moving & Storage						AMERCO Legal Group				
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		
	(Unaudited) (In thousands)										
Liabilities:											
Accounts payable and accrued expenses	$21,567	$312,826	$4,671	$–		$339,064	$–	$12,732	$–		$
Notes, loans and leases payable	–	965,308	897,561	–		1,862,869	–	–	–		
Policy benefits and losses, claims and loss expenses payable	–	380,940	–	–		380,940	300,351	414,319	–		
Liabilities from investment contracts	–	–	–	–		–	–	596,268	–		
Other policyholders' funds and liabilities	–	–	–	–		–	3,118	4,153	–		
Deferred income	–	29,489	–	–		29,489	–	–	–		
Deferred income taxes	457,834	–	–	–		457,834	(32,753)	11,303	–		
Related party liabilities	–	522,754	454,542	(964,556)	(c)	12,740	4,740	542	(18,022)	(c)	
Total liabilities	479,401	2,211,317	1,356,774	(964,556)		3,082,936	275,456	1,039,317	(18,022)		
Stockholders' equity:											
Series preferred stock:											
Series A preferred stock	–	–	–	–		–	–	–	–		

Series B preferred stock	–	–	–	–		–	–	–	–		
Series A common stock	–	–	–	–		–	–	–	–		
Common stock	10,497	1	1	(2)	(b)	10,497	3,301	2,500	(5,801)	(b)	
Additional paid-in capital	443,051	121,230	147,941	(269,171)	(b)	443,051	91,120	26,271	(117,601)	(b)	
Accumulated other comprehensive income (loss)	(46,192)	(57,600)	–	57,600	(b)	(46,192)	1,542	9,866	(11,408)	(b)	
Retained earnings (deficit)	1,766,032	177,200	(284,488)	107,288	(b)	1,766,032	48,659	189,519	(237,968)	(b)	
Cost of common shares in treasury, net	(525,653)	–	–	–		(525,653)	–	–	–		
Cost of preferred shares in treasury, net	(151,997)	–	–	–		(151,997)	–	–	–		
Unearned employee stock ownership plan shares	–	(1,316)	–	–		(1,316)	–	–	–		
Total stockholders' equity (deficit)	1,495,738	239,515	(136,546)	(104,285)		1,494,422	144,622	228,156	(372,778)		
Total liabilities and stockholders' equity	$1,975,139	$2,450,832	$1,220,228	$(1,068,841)		$4,577,358	$420,078	$1,267,473	$(390,800)		$

(a) Balances as of September 30, 2013
(b) Eliminate investment in subsidiaries
(c) Eliminate intercompany receivables and payables

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Consolidating balance sheets by industry segment as of March 31, 2013 are as follows:

	Moving & Storage						AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	
	(In thousands)									
Assets:										
Cash and cash equivalents	$327,119	$98,926	$1,515	$–		$427,560	$14,120	$22,064	$–	
Reinsurance recoverables and trade receivables, net	–	43,259	–	–		43,259	186,010	32,520	–	
Inventories, net	–	56,396	–	–		56,396	–	–	–	
Prepaid expenses	22,475	34,956	20	–		57,451	–	–	–	
Investments, fixed maturities and marketable equities	21,228	–	–	–		21,228	160,455	913,655	–	
Investments, other	–	100	50,553	–		50,653	65,212	125,900	–	
Deferred policy acquisition costs, net	–	–	–	–		–	–	93,043	–	
Other assets	118	69,671	28,828	–		98,617	1,212	157	–	
Related party assets	1,032,663	127,751	9	(975,683)	(c)	184,740	8,846	514	(12,065)	(c)
	1,403,603	431,059	80,925	(975,683)		939,904	435,855	1,187,853	(12,065)	
Investment in subsidiaries	239,541	–	–	140,100	(b)	379,641	–	–	(379,641)	(b)
Property, plant and equipment, at cost:										
Land	–	81,421	251,807	–		333,228	–	–	–	

Buildings and improvements	–	184,053	1,013,822	–	1,197,875	–	–	–	
Furniture and equipment	136	292,621	18,385	–	311,142	–	–	–	
Rental trailers and other rental equipment	–	317,476	–	–	317,476	–	–	–	
Rental trucks	–	2,154,688	–	–	2,154,688	–	–	–	
	136	3,030,259	1,284,014	–	4,314,409	–	–	–	
Less: Accumulated depreciation	(116)	(1,185,796)	(373,443)	–	(1,559,355)	–	–	–	
Total property, plant and equipment	20	1,844,463	910,571	–	2,755,054	–	–	–	
Total assets	$1,643,164	$2,275,522	$991,496	$(835,583)	$4,074,599	$435,855	$1,187,853	$(391,706)	$

(a) Balances as of December 31, 2012
(b) Eliminate investment in subsidiaries
(c) Eliminate intercompany receivables and payables

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AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Consolidating balance sheets by industry segment as of March 31, 2013 are as follows:

	Moving & Storage						AMERCO Legal Group				
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		
	(In thousands)										
Liabilities:											
Accounts payable and accrued expenses	$110	$345,864	$4,378	$–		$350,352	$–	$8,139	$–		$
Notes, loans and leases payable	–	881,766	780,079	–		1,661,845	–	–	–		
Policy benefits and losses, claims and loss expenses payable	–	380,824	–	–		380,824	330,184	404,040	–		
Liabilities from investment contracts	–	–	–	–		–	–	510,789	–		
Other policyholders' funds and liabilities	–	–	–	–		–	3,157	4,137	–		
Deferred income	–	30,217	–	–		30,217	–	–	–		
Deferred income taxes	412,089	–	–	–		412,089	(36,241)	17,810	–		
Related party liabilities	–	638,448	347,248	(975,683)	(c)	10,013	1,844	208	(12,065)	(c)	
Total liabilities	412,199	2,277,119	1,131,705	(975,683)		2,845,340	298,944	945,123	(12,065)		
Stockholders' equity:											
Series preferred stock:											
Series A preferred stock	–	–	–	–		–	–	–	–		

Series B preferred stock	–	–	–	–		–	–	–	–	
Series A common stock	–	–	–	–		–	–	–	–	
Common stock	10,497	1	1	(2)	(b)	10,497	3,301	2,500	(5,801)	(b)
Additional paid-in capital	438,378	121,230	147,941	(269,171)	(b)	438,378	91,120	26,271	(117,601)	(b)
Accumulated other comprehensive income (loss)	(22,680)	(62,325)	–	62,325	(b)	(22,680)	4,568	37,567	(42,135)	(b)
Retained earnings (deficit)	1,482,420	(58,797)	(288,151)	346,948	(b)	1,482,420	37,922	176,392	(214,104)	(b)
Cost of common shares in treasury, net	(525,653)	–	–	–		(525,653)	–	–	–	
Cost of preferred shares in treasury, net	(151,997)	–	–	–		(151,997)	–	–	–	
Unearned employee stock ownership plan shares	–	(1,706)	–	–		(1,706)	–	–	–	
Total stockholders' equity (deficit)	1,230,965	(1,597)	(140,209)	140,100		1,229,259	136,911	242,730	(379,641)	
Total liabilities and stockholders' equity	$1,643,164	$2,275,522	$991,496	$(835,583)		$4,074,599	$435,855	$1,187,853	$(391,706)	$

(a) Balances as of December 31, 2012
(b) Eliminate investment in subsidiaries
(c) Eliminate intercompany receivables and payables

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Consolidating statement of operations by industry segment for the quarter ended December 31, 2013 are as follows:

	Moving & Storage						AMERCO Legal Group				
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AM Co
	(Unaudited) (In thousands)										
Revenues:											
Self-moving equipment rentals	$–	$437,117	$–	$–		$437,117	$–	$–	$(910)	(c)	$43
Self-storage revenues	–	45,818	302	–		46,120	–	–	–		46,
Self-moving and self-storage products and service sales	–	47,045	–	–		47,045	–	–	–		47,
Property management fees	–	7,133	–	–		7,133	–	–	–		7,1
Life insurance premiums	–	–	–	–		–	–	39,198	–		39,
Property and casualty insurance premiums	–	–	–	–		–	12,219	–	–		12,
Net investment and interest income	2,516	1,988	661	–		5,165	3,009	12,895	(182)	(b)	20,
Other revenue	260	37,021	26,091	(27,790)	(b)	35,582	–	1,059	(4,104)	(b)	32,
Total revenues	2,776	576,122	27,054	(27,790)		578,162	15,228	53,152	(5,196)		64
Costs and expenses:											
Operating expenses	1,782	329,595	3,297	(27,790)	(b)	306,884	5,223	6,125	(5,005)	(b,c)	31
Commission expenses	–	55,573	–	–		55,573	–	–	–		55,

Cost of sales	–	28,229	–	–		28,229	–	–	–		28,
Benefits and losses	–	–	–	–		–	4,289	34,341	–		38,
Amortization of deferred policy acquisition costs	–	–	–	–		–	–	4,457	–		4,4
Lease expense	23	24,482	9	–		24,514	–	–	(46)	(b)	24,
Depreciation, net of (gains) losses on disposals	1	66,340	4,448	–		70,789	–	–	–		70,
Total costs and expenses	1,806	504,219	7,754	(27,790)		485,989	9,512	44,923	(5,051)		53
Earnings from operations before equity in earnings of subsidiaries	970	71,903	19,300	–		92,173	5,716	8,229	(145)		10
Equity in earnings of subsidiaries	38,578	–	–	(29,297)	(d)	9,281	–	–	(9,281)	(d)	–
Earnings from operations	39,548	71,903	19,300	(29,297)		101,454	5,716	8,229	(9,426)		10
Interest income (expense)	20,687	(26,371)	(18,068)	–		(23,752)	–	–	145	(b)	(23
Pretax earnings	60,235	45,532	1,232	(29,297)		77,702	5,716	8,229	(9,281)		82,
Income tax expense	(8,014)	(16,995)	(472)	–		(25,481)	(2,000)	(2,664)	–		(30
Earnings available to common shareholders	$52,221	$28,537	$760	$(29,297)		$52,221	$3,716	$5,565	$(9,281)		$52,

(a) Balances for the quarter ended September 30, 2013
(b) Eliminate intercompany lease / interest income
(c) Eliminate intercompany

premiums
(d) Eliminate
equity in
earnings of
subsidiaries

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AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Consolidating statement of operations by industry segment for the quarter ended December 31, 2012 are as follows:

	Moving & Storage						AMERCO Legal Group				
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AM Co
	(Unaudited) (In thousands)										
Revenues:											
Self-moving equipment rentals	$–	$395,401	$–	$–		$395,401	$–	$–	$(456)	(c)	$39
Self-storage revenues	–	38,813	298	–		39,111	–	–	–		39,
Self-moving and self-storage products and service sales	–	44,491	–	–		44,491	–	–	–		44,
Property management fees	–	6,085	–	–		6,085	–	–	–		6,0
Life insurance premiums	–	–	–	–		–	–	43,248	–		43,
Property and casualty insurance premiums	–	–	–	–		–	9,816	–	–		9,8
Net investment and interest income	1,338	2,260	4,405	–		8,003	2,049	12,666	(115)	(b)	22,
Other revenue	–	23,255	22,605	(24,145)	(b)	21,715	–	852	(379)	(b)	22,
Total revenues	1,338	510,305	27,308	(24,145)		514,806	11,865	56,766	(950)		58
Costs and expenses:											
Operating expenses	2,684	295,759	3,424	(24,145)	(b)	277,722	6,937	6,452	(826)	(b,c)	29
Commission expenses	–	51,130	–	–		51,130	–	–	–		51,
Cost of sales	–	23,153	–	–		23,153	–	–	–		23,
	–	–	–	–		–	2,866	39,742	–		42,

Benefits and losses											
Amortization of deferred policy acquisition costs	–	–	–	–		–	–	3,391	–		3,3
Lease expense	24	27,594	3	–		27,621	–	–	(46)	(b)	27,
Depreciation, net of (gains) losses on disposals	1	60,129	2,269	–		62,399	–	–	–		62,
Total costs and expenses	2,709	457,765	5,696	(24,145)		442,025	9,803	49,585	(872)		500
Earnings (loss) from operations before equity in earnings of subsidiaries	(1,371)	52,540	21,612	–		72,781	2,062	7,181	(78)		81,
Equity in earnings of subsidiaries	24,435	–	–	(18,790)	(d)	5,645	–	–	(5,645)	(d)	–
Earnings from operations	23,064	52,540	21,612	(18,790)		78,426	2,062	7,181	(5,723)		81,
Interest income (expense)	21,387	(28,837)	(14,704)	–		(22,154)	–	–	78	(b)	(22
Pretax earnings	44,451	23,703	6,908	(18,790)		56,272	2,062	7,181	(5,645)		59,
Income tax expense	(7,605)	(9,174)	(2,647)	–		(19,426)	(722)	(2,876)	–		(23
Earnings available to common shareholders	$36,846	$14,529	$4,261	$(18,790)		$36,846	$1,340	$4,305	$(5,645)		$36,

(a) Balances for the quarter ended September 30, 2012

(b) Eliminate intercompany lease / interest income

(c) Eliminate intercompany premiums

(d) Eliminate equity in earnings of subsidiaries

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AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Consolidating statements of operations by industry for the nine months ended December 31, 2013 are as follows:

	Moving & Storage						AMERCO Legal Group				
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		
	(Unaudited) (In thousands)										
Revenues:											
Self-moving equipment rentals	$–	$1,558,857	$–	$–		$1,558,857	$–	$–	$(2,070)	(c)	$
Self-storage revenues	–	132,906	885	–		133,791	–	–	–		
Self-moving and self-storage products and service sales	–	183,115	–	–		183,115	–	–	–		
Property management fees	–	17,586	–	–		17,586	–	–	–		
Life insurance premiums	–	–	–	–		–	–	119,708	–		
Property and casualty insurance premiums	–	–	–	–		–	31,052	–	–		
Net investment and interest income	5,031	6,183	734	–		11,948	7,949	40,372	(433)	(b)	
Other revenue	260	134,181	76,085	(81,059)	(b)	129,467	–	2,524	(9,198)	(b)	
Total revenues	5,291	2,032,828	77,704	(81,059)		2,034,764	39,001	162,604	(11,701)		
Costs and expenses:											
Operating expenses	6,067	1,018,889	8,807	(81,059)	(b)	952,704	13,738	18,067	(11,241)	(b,c)	
Commission expenses	–	202,578	–	–		202,578	–	–	–		
Cost of sales	–	98,331	–	–		98,331	–	–	–		
	–	–	–	–		–	8,746	110,509	–		

Benefits and losses											
Amortization of deferred policy acquisition costs	–	–	–	–		–	–	14,197	–		
Lease expense	69	77,317	44	–		77,430	–	–	(137)	(b)	
Depreciation, net of (gains) losses on disposals	4	179,241	12,186	–		191,431	–	–	–		
Total costs and expenses	6,140	1,576,356	21,037	(81,059)		1,522,474	22,484	142,773	(11,378)		
Earnings (loss) from operations before equity in earnings of subsidiaries	(849)	456,472	56,667	–		512,290	16,517	19,831	(323)		
Equity in earnings of subsidiaries	263,524	–	–	(239,660)	(d)	23,864	–	–	(23,864)	(d)	
Earnings from operations	262,675	456,472	56,667	(239,660)		536,154	16,517	19,831	(24,187)		
Interest income (expense)	63,796	(83,442)	(50,730)	–		(70,376)	–	–	323	(b)	
Pretax earnings	326,471	373,030	5,937	(239,660)		465,778	16,517	19,831	(23,864)		
Income tax expense	(23,291)	(137,033)	(2,274)	–		(162,598)	(5,780)	(6,704)	–		
Earnings available to common shareholders	$303,180	$235,997	$3,663	$(239,660)		$303,180	$10,737	$13,127	$(23,864)		$

(a) Balances for the nine months ended September 30, 2013
(b) Eliminate intercompany lease / interest income
(c) Eliminate intercompany

premiums
(d) Eliminate equity in earnings of subsidiaries

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AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Consolidating statements of operations by industry for the nine months ended December 31, 2012 are as follows:

	Moving & Storage						AMERCO Legal Group				
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AM Con
	(Unaudited) (In thousands)										
Revenues:											
Self-moving equipment rentals	$–	$1,401,483	$–	$–		$1,401,483	$–	$–	$(1,183)	(c)	$1,40
Self-storage revenues	–	110,963	862	–		111,825	–	–	–		111,
Self-moving and self-storage products and service sales	–	173,399	–	–		173,399	–	–	–		173,
Property management fees	–	15,847	–	–		15,847	–	–	–		15,8
Life insurance premiums	–	–	–	–		–	–	137,341	–		137,
Property and casualty insurance premiums	–	–	–	–		–	26,006	–	–		26,0
Net investment and interest income	3,930	6,265	4,843	–		15,038	6,515	31,735	(315)	(b)	52,9
Other revenue	81	80,311	65,306	(70,066)	(b)	75,632	–	2,056	(1,099)	(b)	76,5
Total revenues	4,011	1,788,268	71,011	(70,066)		1,793,224	32,521	171,132	(2,597)		1,99
Costs and expenses:											
Operating expenses	11,431	901,337	8,300	(70,066)	(b)	851,002	14,709	20,438	(2,257)	(b,c)	883,
Commission expenses	–	180,801	–	–		180,801	–				