

MERCURY GENERAL CORP
Form 10-Q
July 31, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the Quarter Ended June 30, 2013
Commission File No. 001-12257

MERCURY GENERAL CORPORATION
(Exact name of registrant as specified in its charter)

California 95-2211612
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

4484 Wilshire Boulevard, Los Angeles, California 90010
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (323) 937-1060

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 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 definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer 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 the Rule 12b-2 of the Exchange Act). Yes No

At July 26, 2013, the Registrant had issued and outstanding an aggregate of 54,958,642 shares of its Common Stock.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MERCURY GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2013 (unaudited)	December 31, 2012
ASSETS		
Investments, at fair value:		
Fixed maturity securities (amortized cost \$2,413,895; \$2,270,903)	\$2,482,052	\$2,408,354
Equity securities (cost \$492,573; \$475,959)	528,725	477,088
Short-term investments (cost \$165,783; \$294,607)	165,520	294,653
Total investments	3,176,297	3,180,095
Cash	180,331	158,183
Receivables:		
Premiums	356,061	345,387
Accrued investment income	33,783	31,109
Other	17,846	17,756
Total receivables	407,690	394,252
Deferred policy acquisition costs	189,599	185,910
Fixed assets, net	154,884	161,940
Current income taxes	0	7,058
Deferred income taxes	17,689	0
Goodwill	42,796	42,796
Other intangible assets, net	44,593	47,589
Other assets	17,941	11,863
Total assets	\$4,231,820	\$4,189,686
LIABILITIES AND SHAREHOLDERS' EQUITY		
Losses and loss adjustment expenses	\$1,007,036	\$1,036,123
Unearned premiums	938,112	920,429
Notes payable	140,000	140,000
Accounts payable and accrued expenses	116,561	96,220
Current income taxes	2,395	0
Deferred income taxes	0	445
Other liabilities	193,848	153,972
Total liabilities	2,397,952	2,347,189
Commitments and contingencies		
Shareholders' equity:		
Common stock without par value or stated value:		
Authorized 70,000 shares; issued and outstanding 54,959; 54,922	80,857	79,380
Retained earnings	1,753,011	1,763,117
Total shareholders' equity	1,833,868	1,842,497
Total liabilities and shareholders' equity	\$4,231,820	\$4,189,686
See accompanying Condensed Notes to Consolidated Financial Statements.		

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CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended June 30,	
	2013	2012
Revenues:		
Net premiums earned	\$675,787	\$637,247
Net investment income	31,674	31,673
Net realized investment losses	(67,415) (23,759
Other	2,521	2,544
Total revenues	642,567	647,705
Expenses:		
Losses and loss adjustment expenses	486,906	497,251
Policy acquisition costs	126,393	117,726
Other operating expenses	54,015	51,203
Interest	212	378
Total expenses	667,526	666,558
Loss before income taxes	(24,959) (18,853
Income tax benefit	(15,695) (13,589
Net loss	\$(9,264) \$(5,264
Net loss per share:		
Basic	\$(0.17) \$(0.10
Diluted ⁽¹⁾	\$(0.17) \$(0.10
Weighted average shares outstanding:		
Basic	54,941	54,895
Diluted ⁽¹⁾	54,941	54,895
Dividends paid per share	\$0.6125	\$0.61

(1) The dilutive impact of incremental shares is excluded from loss position in accordance with U.S. generally accepted accounting principles ("GAAP").

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

(unaudited)

	Three Months Ended June 30,	
	2013	2012
Net loss	\$(9,264	