

PICO HOLDINGS INC /NEW

Form 10-Q

August 09, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011

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 033-36383

PICO HOLDINGS, INC.

(Exact Name of Registrant as Specified in Its Charter)

California

(State or other jurisdiction of incorporation)

33-36383

(Commission File Number)

94-2723335

(IRS Employer Identification No.)

7979 Ivanhoe Avenue, Suite 300

La Jolla, California 92037

(Address of principal executive offices) (Zip code)

Registrant's Telephone Number, Including Area Code:

(858) 456-6022

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 S 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 S 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

S

Accelerated filer

£

Non-accelerated filer

£

Smaller reporting company

£

(Do not check if a 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 S

On August 9, 2011, the registrant had 22,704,904 shares of common stock, \$0.001 par value outstanding.

PICO HOLDINGS, INC.

FORM 10-Q

For the Six Months Ended June 30, 2011

TABLE OF CONTENTS

	Page No.
Part I: Financial Information	
Item 1: <u>Condensed Consolidated Financial Statements (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets as of June 30, 2011 and December 31, 2010</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2011 and 2010</u>	<u>4</u>
<u>Condensed Consolidated Statement Of Shareholders' Equity for the Six Months Ended June 30, 2011 and 2010</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2011 and 2010</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
Item 2: <u>Management's Discussion and Analysis of Financial Condition and the Results of Operations</u>	<u>17</u>
Item 3: <u>Quantitative and Qualitative Disclosure About Market Risk</u>	<u>33</u>
Item 4: <u>Controls and Procedures</u>	<u>33</u>
Part II: Other Information	
Item 1: <u>Legal Proceedings</u>	<u>33</u>
Item 1A: <u>Risk Factors</u>	<u>34</u>
Item 2: <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>34</u>
Item 3: <u>Defaults Upon Senior Securities</u>	<u>34</u>
Item 4: <u>(Removed and Reserved)</u>	<u>34</u>
Item 5: <u>Other Information</u>	<u>34</u>
Item 6: <u>Exhibits</u>	<u>35</u>

Part I: Financial Information

Item I: Condensed Consolidated Financial Statements

PICO HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Available-for-sale investments:		
Fixed maturities	\$36,727	\$41,010
Equity securities	66,791	110,410
Total available-for-sale investments	103,518	151,420
Other Investments	3,636	7,228
Total investments	107,154	158,648
Cash and cash equivalents	101,810	114,759
Notes and other receivables, net	8,795	9,251
Reinsurance receivables	13,648	14,551
Real estate and water assets, net	369,837	355,570
Property and equipment, net	45,247	12,590
Net deferred income taxes	25,950	20,039
Other assets	11,302	7,094
Total assets	\$683,743	\$692,502
LIABILITIES AND SHAREHOLDERS' EQUITY		
Reserves for unpaid losses and loss adjustment expenses	\$21,986	\$22,816
Debt	50,203	45,743
Deferred compensation	36,712	37,879
Other liabilities	11,199	15,340
Total liabilities	120,100	121,778
Commitments and Contingencies		
Common stock, \$.001 par value; authorized 100,000 shares, 27,122 issued and 22,705 outstanding at June 30, 2011, and 27,117 issued and 22,700 outstanding at December 31, 2010	27	27
Additional paid-in capital	544,331	542,072
Retained earnings	88,810	88,830
Accumulated other comprehensive income	7,369	15,327
Treasury stock, at cost (common shares: 4,417 in 2011 and in 2010)	(78,152)	(78,152)
Total PICO Holdings, Inc. shareholders' equity	562,385	568,104
Noncontrolling interest in subsidiaries	1,258	2,620
Total shareholders' equity	563,643	570,724
Total liabilities and shareholders' equity	\$683,743	\$692,502

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

PICO HOLDINGS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED
 (In thousands, except per share data)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Revenues:				
Sale of real estate and water assets	\$6,837	\$2,141	\$7,712	\$3,739
Net investment income	1,295	1,973	2,478	3,363
Net realized gain on sale and impairment of investments	7,259	1,663	12,510	4,813
Other	563	1,046	931	1,510
Total revenues	15,954	6,823	23,631	13,425
Costs and expenses:				
Operating and other costs	6,247	7,903	15,634	19,191
Cost of real estate and water assets sold	5,446	1,401	5,924	2,448
Depreciation and amortization	335	328	664	653
Interest		405	146	