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21ST CENTURY INSURANCE GROUP

Form 11-K

July 01, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

21ST CENTURY INSURANCE COMPANY SAVINGS AND SECURITY PLAN

(Exact name of the plan)

21ST CENTURY INSURANCE GROUP

(Name of issuer)

6301 OWENSMOUTH AVENUE, WOODLAND HILLS, CALIFORNIA 91367

(Address of principal executive offices) (Zip Code)

21st Century Insurance Company Savings and Security Plan

Reports on Audited Financial Statements and Supplemental Schedule

For the Years Ended December 31, 2001 and 2000

21st Century Insurance Company Savings and Security Plan

Financial Statements
and Supplemental Schedule

Years ended December 31, 2001 and 2000

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Participants and Plan Administrator of the 21st Century Insurance Company Savings and Security Plan

In our opinion, the accompanying statement of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the 21st Century Insurance Company Savings and Security Plan (the "Plan") at December 31, 2001 and the changes in net assets available for benefits for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes as of December 31, 2001 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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/s/ PricewaterhouseCoopers LLP

Los Angeles, California
June 21, 2002

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REPORT OF INDEPENDENT AUDITORS

21st Century Insurance Group as Plan Administrator of the
21st Century Insurance Company Savings and Security Plan

We have audited the accompanying statement of net assets available for benefits of the 21st Century Insurance Company Savings and Security Plan (formerly, the 21st Century Insurance Group Savings and Security Plan) (the Plan) as of December 31, 2000 and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2000 and the changes in its net assets available for benefits for the year then ended, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Los Angeles, California
May 24, 2001

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21st Century Insurance Company Savings and Security Plan

Statements of Net Assets Available for Benefits

AS OF DECEMBER 31
2001 2000

ASSETS:
Investments, at fair value:

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Mutual funds	\$ 63,030,544	\$ 65,716,980
21st Century Insurance Group common stock	4,904,846	3,681,095
Short-term investment funds	124,111	61,342
	-----	-----
	68,059,501	69,459,417
Guaranteed investment contract, at fair value	30,565,310	26,415,654
Loans to participants	6,915,554	7,199,999
	-----	-----
Total investments	105,540,365	103,075,070
Receivables:		
Employer contribution	-	138,197
Employee contributions	-	246,468
	-----	-----
Total assets	\$105,540,365	\$103,459,735
LIABILITIES:		
Other	\$ 25,138	\$ -
	-----	-----
Total liabilities	\$ 25,138	\$ -
	-----	-----
Net assets available for benefits	\$105,515,227	\$103,459,735
	=====	=====

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

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21st Century Insurance Company Savings and Security Plan

Statements of Changes in Net Assets Available for Benefits

	YEAR ENDED DECEMBER 31	
	2001	2000
	-----	-----
Additions to net assets:		
Investment income:		
Net depreciation in the fair value of mutual funds	\$ (8,295,589)	\$ (7,833,900)
Net appreciation (depreciation) in the fair value of 21st Century Insurance Group common stock	1,342,951	(1,168,034)
Interest and dividends	2,892,947	5,318,121
Participant loan interest income	698,090	653,235
	-----	-----
	(3,361,601)	(3,030,578)
Contributions:		
Employer	3,925,862	3,377,624
Employee	7,313,685	6,581,704
	-----	-----
	11,239,547	9,959,328
	-----	-----
Total additions	7,877,946	6,928,750
Deductions from net assets:		
Benefits paid to participants	5,660,258	5,735,143

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Administrative expenses	162,196	32,195
	-----	-----
Net increase in net assets	2,055,492	1,161,412
Net assets available for benefits:		
Beginning of year	103,459,735	102,298,323
	-----	-----
End of year	\$105,515,227	\$103,459,735
	=====	=====

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

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21st Century Insurance Company Savings and Security Plan

Notes to financial Statements

1. DESCRIPTION OF PLAN

The following brief description of the 21st Century Insurance Company Savings and Security Plan ("Plan") provides only general information. Participants should refer to the Plan Document for more complete information. Copies of the Plan Document are available from the Human Resources Benefits Office.

Prior to January 1, 2002, the name of the Plan was '21st Century Insurance Group Savings and Security Plan'. Effective January 1, 2002, the sponsorship and administration of the Plan was assumed by 21st Century Insurance Company, a wholly owned subsidiary of 21st Century Insurance Group, and the present name of the Plan was adopted. The Plan is referred to in these financial statements by its new name.

GENERAL

The Plan is a defined contribution plan incorporating the provisions of Section 401(k) of the Internal Revenue Code and covering substantially all employees of 21st Century Insurance Group ("Employer"). Any employee who has attained the age of 20 is eligible to participate in the Plan. The Plan enables participants to make contributions which the Employer matches in part. Contributions by and on behalf of participants are invested in accordance with the participants' investment designations in one or more investment categories. Plan participants have 15 investment categories from which they may choose to have their funds invested.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

CONTRIBUTIONS

Each participant can contribute up to 12% of earnings on a before-tax basis and up to an additional 5% of earnings on an after-tax basis. The Employer matches \$.75 for every dollar contributed by a participant (before tax) up to a maximum of 6% of the participant's earnings. Forfeitures are used to offset future Employer-matching contributions. Participants may change their contribution percentages or cease making contributions at any time during the Plan year. In addition, they may elect to stop making contributions entirely. Effective June 17, 1991, Employer contributions follow the participant's fund election.

21st Century Insurance Company Savings and Security Plan

Notes to financial Statements (continued)

1. DESCRIPTION OF PLAN (CONTINUED)

VESTING

Participants are immediately vested in their own contributions. Vesting in the Employer-contributed amount is based on years of service. A participant vests 25% after two years of service and an additional 25% for each additional year. A participant is 100% vested after five years of credited service.

PARTICIPANT ACCOUNTS

Each participant's account is credited with his or her contributions, any Employer matching contribution and an allocation of Plan earnings, and is charged with any withdrawals.

PARTICIPANT LOANS

Each participant may obtain loans against his or her vested account balance. Any loans made to a participant are secured by a hierarchical portion of the participant's vested interest in his investment fund subaccounts, including any Company Stock Fund subaccount. Generally, no loan may exceed the lesser of fifty percent of the participant's vested account balances or fifty thousand dollars. Loans made for purposes other than the purchase of a primary residence are charged interest at the prime rate plus two percent. Loans made for the purchase of a home are charged interest at the prime rate. Generally, loans are payable within five years except that the repayment period for loans made for the purchase of a home may be up to fifteen years. Upon termination of employment, including death, any outstanding loan balance becomes due and payable and the participant may elect to repay it or treat it as a partial distribution.

PAYMENT OF BENEFITS

Upon termination of service, a participant may generally elect to receive the value of his or her account in either a lump-sum amount (if eligible) or in installment payments for up to 15 years. Benefits become payable to participants upon their termination of employment with the Employer or in the event of elective withdrawal as permitted by the Plan.

21st Century Insurance Company Savings and Security Plan

Notes to financial Statements (continued)

1. DESCRIPTION OF PLAN (CONTINUED)

PLAN TERMINATION

Although it has not expressed any intention to do so, the Employer has the right under the Plan to terminate the Plan subject to the provisions set forth in ERISA. Should the Plan terminate, or should contributions be discontinued, at some future time, the rights of each affected participant to the entire amount credited to his or her account on the date of such termination or discontinuance

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shall be non-forfeitable and fully vested. Payment of such amounts to each participant or beneficiary, upon the termination of the Plan or upon the complete discontinuance of contributions under the Plan, shall be made by the Plan administrator at such time and in such manner as the Plan administrator shall state, provided, however, that all participants and beneficiaries similarly situated shall be treated in a nondiscriminatory manner.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the Plan are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires the Plan's management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

VALUATION OF INVESTMENTS AND INCOME RECOGNITION

Investments are reported at fair value, using quoted market prices. Participant loans are reported at amounts owed by the participants, which approximates fair value. Dividend and interest income are recorded as earned.

RECLASSIFICATION

Certain prior year balances have been reclassified to conform with current year presentation.

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21st Century Insurance Company Savings and Security Plan

Notes to financial Statements (continued)

3. GUARANTEED INVESTMENT CONTRACT

The fixed rate fund is a guaranteed investment contract consisting of funds deposited with Pacific Life Insurance Company ("Pacific Life"). Pacific Life maintains the contributions in an unallocated account, with a guaranteed interest rate which is set annually not less than 30 days prior to the beginning of the Plan year. The set rate was 6.50% for 2001 and 6.25% for 2000. The account is credited with deposits and interest earnings and charged with Plan withdrawals. The Employer pays the contract administration charge.

Per the contract, no transfer may be made out of the account by an individual participant directly to a competing fixed income fund offered by the Plan.

The Employer may cancel the contract at any time by giving notice to Pacific Life. Ordinarily, transfer of the balance in the account would be made in four substantially equal annual installments starting within 90 days of cancellation. However, if the announced guaranteed interest rate is less than the current rate and the balance in the account 60 days prior to the end of the Plan year exceeds 75% of the balance in the account at the beginning of the current Plan year, the Employer may cancel the contract within 30 days of the new rate announcement and may withdraw the total account balance within 30 days of cancellation.

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4. INVESTMENTS

The Plan's investments are invested in the Pacific Life guaranteed investment contract, 21st Century Insurance Group Common Stock and in 13 mutual funds administered by Fidelity Investments, which also acts as trustee for the Plan. Funds in transit to and from any of the investment options and the Plan Sponsor or the participants or other investment options are temporarily invested in short-term investments by the trustee. Fidelity Investments and 21st Century Insurance Group with its wholly owned subsidiaries are considered parties in interest to the Plan.

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21st Century Insurance Company Savings and Security Plan

Notes to financial Statements (continued)

4. INVESTMENTS (CONTINUED)

The following table presents the Plan's individual investments, at fair value:

	AS OF DECEMBER 31	
	2001	2000
	-----	-----
Investments at fair value:		
Guaranteed Investment Contract	\$30,565,310*	\$26,415,654*
Mutual Funds:		
Fidelity Magellan Fund	26,068,841*	28,755,925*
Fidelity Equity-Income Fund	13,275,038*	13,612,201*
Spartan U.S. Equity Index Fund	5,450,021*	5,726,535*
Fidelity Contrafund	5,970,665*	6,342,191*
Fidelity Retirement Government Money Market Portfolio	3,088,576	2,038,486
INVESCO Small Company Growth Fund	4,373,566	5,108,434
Dreyfus Founders Balanced Fund	615,143	564,829
Templeton Foreign Fund I	1,094,968	1,052,676
Fidelity Freedom 2000 Fund	139,102	125,179
Fidelity Freedom 2010 Fund	1,058,096	873,197
Fidelity Freedom 2020 Fund	793,796	611,573
Fidelity Freedom 2030 Fund	958,715	862,556
Fidelity Freedom Income Fund	144,017	43,198
21st Century Insurance Group Common Stock	4,904,846	3,681,095
Loans to participants	6,915,554*	7,199,999*
Short-Term Investment Funds	124,111	61,342
	\$105,540,365	\$103,075,070
	-----	-----

*Represents 5% or more of net assets available for benefits.

5. RISKS AND UNCERTAINTIES

The Plan provides for various investment options in any combination of stocks, bonds, fixed-income securities, mutual funds, and other investment securities. Investment securities are exposed to various risks, such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect participants' account balances

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and the amounts reported in the Statements of Net Assets Available for Benefits and the Statements of Changes in Net Assets Available for Benefits.

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21st Century Insurance Company Savings and Security Plan

Notes to financial Statements (continued)

6. INCOME TAX STATUS

The Internal Revenue Service has issued a determination letter dated May 11, 1995, that the Plan qualifies, in form, under Sections 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended (the Code), and the underlying trust is, therefore, exempt from federal income taxes under Section 501(a) of the Code. The Plan is required to operate in accordance with the Code to maintain its tax qualification. The Plan administrator is not aware of any course of actions or series of events that have occurred which might adversely affect the Plan's qualified status.

Plan Amendments subsequent to the effective date of the IRS determination letter are not covered by the letter. The Company believes that the Plan is designed and being operated in compliance with the applicable requirements of the Code. The Company intends to make any additional amendments necessary to be in compliance with the Code.

7. FEDERAL INCOME TAXES APPLICABLE TO PARTICIPANTS

The income tax rules affecting Plan participation are complex, subject to interpretation by the Secretary of the Treasury, and subject to change. A general summary of the federal tax consequences of participation in the Plan follows.

In general, Salary Reduction Contributions and Company matching contributions are not subject to tax when made. In addition, earnings and gains on a participant's account are not subject to tax when credited.

Generally, distributions from the Plan are subject to tax in the year received from the Plan. However, under certain circumstances, a distribution, or part of thereof, may not be taxed if rolled over to an Individual Retirement Account or other qualified plan. If taxable, a distribution may be eligible for special tax treatment under the Code.

In addition to regular taxes, most distributions received before a participant is age 59-1/2 will be subject to a 10% additional tax. Under limited circumstances, distributions in excess of Code-determined limits will be subject to a 15% excise tax.

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21st Century Insurance Company Savings and Security Plan

Notes to financial Statements (continued)

8. RECONCILIATION TO FORM 5500

There were no differences in 2001.

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The following schedule represents reconciliation between the amounts on Form 5500 and the financial statements for 2000. Differences related to contributions, which are presented on an accrual basis in the GAAP financial statements, and on a cash basis in the Form 5500.

	Per Form 5500	Per Financial Statements	Difference
December 31, 2000			
Employer contribution receivable	\$ -	\$ 138,197	\$ 138,197
Employee contribution receivable	-	246,468	246,468
Net assets available for benefits	103,075,070	103,459,735	384,665
Employer contributions	3,239,427	3,377,624	138,197
Employee contributions	5,995,936	6,581,704	585,768
Other contributions	339,300	-	(399,300)
Net increase in net assets	776,747	1,161,412	384,665

9. RELATED PARTY NOTE

Certain Plan investments are shares of mutual funds managed by Fidelity. Fidelity is the acting Trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Fees paid to Fidelity for investment management services amounted to \$162,196 and \$32,195 for the years ended December 31, 2001 and 2000.

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Supplemental Schedule

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21st Century Insurance Company Savings and Security Plan

EIN: 95-2565072 Plan: 001

Schedule H, Line 4i - Schedule of Assets Held for Investment Purposes

As of December 31, 2001

IDENTITY OF ISSUE, BORROWER, LESSOR OR SIMILAR PARTY	DESCRIPTION OF INVESTMENTS, INCLUDING MATURITY DATE, RATE OF INTEREST, PAR OR MATURITY VALUE	CURRENT COST	VA
Pacific Life Insurance Company	Guaranteed Investment		
Fidelity Retirement Government Money	Contract	\$ 30,565,310	\$ 30,
Market Fund (1)	3,088,576 Money Market Fund Shares	3,088,576	3,

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Fidelity Equity-Income Fund (1)	272,197 Mutual Fund Shares	12,767,014	13,
Fidelity Magellan Fund (1)	250,133 Mutual Fund Shares	25,975,481	26,
Fidelity Freedom Income Fund (1)	13,176 Mutual Fund Shares	145,597	
Fidelity Freedom 2000 Fund (1)	12,075 Mutual Fund Shares	142,379	
Fidelity Freedom 2010 Fund (1)	83,909 Mutual Fund Shares	1,097,814	1,
Fidelity Freedom 2020 Fund (1)	63,100 Mutual Fund Shares	883,993	
Fidelity Freedom 2030 Fund (1)	76,331 Mutual Fund Shares	1,129,900	
Dreyfus Founders Balanced Fund (1)	75,109 Mutual Fund Shares	778,518	
Spartan U.S. Equity Index Fund	134,105 Mutual Fund Shares	5,787,191	5,
Fidelity Contrafund (1)	139,599 Mutual Fund Shares	7,333,125	5,
INVESCO Small Company Growth Fund	360,261 Mutual Fund Shares	5,682,343	4,
Templeton Foreign Fund I	118,375 Mutual Fund Shares	1,189,042	1,
Fidelity Short Term Investment Fund (1)	Short-Term Investment Fund	124,111	
21st Century Insurance Group Common Stock (2)	252,169 Common Stock Shares	4,468,454	4,
Participant Loans (1)	Interest rates between 8.5% and 10.5%	-	6,

			\$105,
			=====