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21ST CENTURY INSURANCE GROUP

Form 11-K

June 30, 2003

UNITED STATES

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, 2002

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
Report on Audited Financial Statements and Supplemental Schedule
For the Years Ended December 31, 2002 and 2001

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21st Century Insurance Company Savings and Security Plan

Financial Statements
and Supplemental Schedule

Years ended December 31, 2002 and 2001

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Report of Independent Auditors

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

In our opinion, the accompanying statements of net assets available for benefits and the related statements 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, 2002 and 2001 and the changes in net assets available for benefits for the years then ended 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 audits. We conducted our audits 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 audits provide a reasonable basis for our opinion.

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Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held at end of year as of December 31, 2002 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 audits 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.

/s/ PricewaterhouseCoopers LLP
 Los Angeles, California
 June 20, 2003

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21st Century Insurance Company Savings and Security Plan

Statements of Net Assets Available for Benefits

| | As of December 31, | |
|---|--------------------|---------------|
| | 2002 | 2001 |
| Assets: | | |
| Investments, at fair value (See Note 4) | \$61,592,342 | \$ 74,975,055 |
| Guaranteed investment contract, at contract value | 34,807,681 | 30,565,310 |
| | ----- | |
| Total investments | 96,400,023 | 105,540,365 |
| Receivables: | | |
| Accrued interest income | 5,329 | - |
| | ----- | |
| Total assets | 96,405,352 | 105,540,365 |
| | ----- | |
| Liabilities: | | |
| Other | 26,223 | 25,138 |
| | ----- | |
| Total liabilities | 26,223 | 25,138 |
| | ----- | |
| Net assets available for benefits | \$96,379,129 | \$105,515,227 |
| | ===== | |

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, | |
|--|-------------------------|----------------|
| | 2002 | 2001 |
| | ----- | |
| Additions to net assets: | | |
| Investment income (loss): | | |
| Net depreciation in the fair value of investments (See Note 4) | \$(14,436,155) | \$ (6,952,638) |
| Interest and dividends | 2,509,380 | 2,892,947 |
| Participant loans interest income | 558,737 | 698,090 |
| Other | 392 | - |
| | ----- | |
| Total investment loss | (11,367,646) | (3,361,601) |
| | ----- | |
| Contributions: | | |
| Employer | 4,088,333 | 3,925,862 |
| Employee | 7,607,457 | 7,313,685 |
| | ----- | |
| Total contributions | 11,695,790 | 11,239,547 |
| | ----- | |
| Total additions | 328,144 | 7,877,946 |
| | ----- | |
| Deductions from net assets: | | |
| Benefits paid to participants and other distributions to participants | 9,222,770 | 5,660,258 |
| Administrative expenses | 241,472 | 162,196 |
| | ----- | |
| Net (decrease) increase in net assets | (9,136,098) | 2,055,492 |
| | ----- | |
| Net assets available for benefits: | | |
| Beginning of year | 105,515,227 | 103,459,735 |
| | ----- | |
| End of year | \$ 96,379,129 | \$ 105,515,227 |
| | ===== | |

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.

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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 (the "Company" or "Plan Sponsor"), 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 fund options. Plan participants have 16 investment fund options 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 the lesser of \$11,000 or 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. Employer contributions follow the participant's fund election.

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21st Century Insurance Company Savings and Security Plan

Notes to Financial Statements

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. Generally, no loan may exceed the lesser of 50% of the participant's vested account balances

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or \$50,000 dollars. Loans made for purposes other than the purchase of a primary residence are charged interest at the prime rate plus 2%. Loans made for the purchase of a home are charged interest at the prime rate. Generally, loans are payable within 5 years except that the repayment period for loans made for the purchase of a home may be up to 15 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.

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21st Century Insurance Company Savings and Security Plan

Notes to Financial Statements

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 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.

Investments

Mutual funds and common stock are reported at fair value, using quoted market prices. Participant loans are reported at amounts owed by the participants, which approximates fair value. Deemed distributions relating to participant loans in default, which are included in benefits paid in the statement of changes in net assets available for benefits, amounted to \$35,143.00 and \$-0- in

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2002 and 2001, respectively. The guaranteed investment contract is reported at contract value because the contract is fully benefit responsive.

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21st Century Insurance Company Savings and Security Plan

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Investments (continued)

Purchases and sales of securities are reflected on a trade date basis. The basis for all securities sold is determined by average cost. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis. The Plan presents in the statement of changes in net assets available for benefits the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains or losses and unrealized appreciation or depreciation on those investments.

Reclassification

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

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 5.65% for 2002 and 6.50% for 2001, which also approximates the average yield. The account is credited with deposits and interest earnings and charged with Plan withdrawals. The Employer pays the contract administration charge. The contract included in the financial statements is at contract value, which represents contributions made under the contract, plus earnings, less withdrawals. Participants generally may direct the withdrawal or transfer of all or a portion of their contract value, however, no transfer may be made out of the account by an individual participant directly to a competing fixed income fund offered by the Plan.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The contract value of the guaranteed investment contract at December 31, 2002 and 2001 approximated its fair value.

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21st Century Insurance Company Savings and Security Plan

Notes to Financial Statements

3. Guaranteed Investment Contract (continued)

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

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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.

4. Investments

The Plan's investments are invested in the Pacific Life guaranteed investment contract, 21st Century Insurance Group Common Stock and in 14 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.

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21st Century Insurance Company Savings and Security Plan

Notes to Financial Statements

4. Investments (continued)

The following table presents the Plan's individual investments:

| | As of December 31, | |
|---|--------------------|---------------|
| | 2002 | 2001 |
| Guaranteed investment contract, at contract value | \$34,807,681* | \$30,565,310* |
| Investments at fair value: | | |
| Mutual Funds: | | |
| Fidelity Magellan Fund | 19,077,215* | 26,068,841* |
| Fidelity Equity-Income Fund | 10,489,989* | 13,275,038* |
| Fidelity Contrafund | 5,734,703* | 5,970,665* |
| Spartan U.S. Equity Index Fund | 4,681,942 | 5,450,021* |
| Fidelity Retirement Government Money Market Portfolio | 4,334,351 | 3,088,576 |
| INVESCO Small Company Growth Fund | 3,144,429 | 4,373,566 |
| Templeton Foreign Fund I | 1,315,088 | 1,094,968 |
| Fidelity Freedom 2010 Fund | 943,134 | 1,058,096 |
| Fidelity Freedom 2020 Fund | 880,497 | 793,796 |
| Fidelity Freedom 2030 Fund | 898,117 | 958,715 |
| Fidelity Freedom Income Fund | 249,636 | 144,017 |
| Ariel Appreciation | 171,961 | - |
| Fidelity Freedom 2000 Fund | 122,963 | 139,102 |
| Dreyfus Founders Balanced Fund | - | 615,143 |
| Fidelity Freedom 2040 Fund | 23,591 | - |
| 21st Century Insurance Group common stock | 3,300,472 | 4,904,846 |
| Loans to participants | 6,132,327* | 6,915,554* |
| Short-Term Investment Funds | 91,927 | 124,111 |
| | \$ 96,400,023 | \$105,540,365 |
| | \$ 96,400,023 | \$105,540,365 |