PICO HOLDINGS INC /NEW
Form DEF 14A
August 24, 2001
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SCHEDULE 14A
(RULE 14A - 101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14 (a) OF THE SECURITIES
EXCHANGE ACT OF 1934
(AMENDMENT NO.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement

[ ] CONFIDENTAL, FOR THE USE OF T
PERMITTED BY RULE 14a-6 (e) (

[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Rule 14a-11 (c) or Rule 14a-12.

PICO HOLDINGS, INC.
(NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

(NAME OF PERSON (S) FILING PROXY STATEMENT, IF OTHER THAN THE REGISTRANT)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange A
(Set forth the amount on which the filing fee is calculated and state how it was determi

(4) Proposed maximum aggregate value of transaction: . . . .

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(2) Form, Schedule or Registration Statement No.: . . . .

(3) Filing Party: . . . .

(4) Date Filed: . . . .

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PICO HOLDINGS, INC.
875 PROSPECT STREET, SUITE 301
LA JOLLA, CALIFORNIA 92037

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of PICO Holdings, Inc., a California corporation (the "Company"), will be held at 3264 Goni Road, Suite 153, Carson City, Nevada 89706 on Thursday, October 11, 2001 at 9:00 a.m. (PDT) for the following purposes:

1. To elect two directors, for which positions the Board of Directors has nominated Robert R. Broadbent and Carlos C. Campbell to serve for three years until the annual meeting of shareholders in the year 2004 and until their respective successors have been duly elected and qualified.

2. To ratify the appointment of Deloitte & Touche LLP as the Company's independent auditors.

3. To transact such other business as may be properly brought before the meeting and any adjournment thereof.

Shareholders of record at the close of business on August 20, 2001 will be entitled to notice of and to vote at the Annual Meeting and any adjournment thereof.

By Order of the Board of Directors

/s/ Ron Langley

Ronald Langley
Chairman of the Board

Dated: August 22, 2001

TO ASSURE YOUR REPRESENTATION AT THE MEETING, WHETHER OR NOT YOU PLAN TO ATTEND, PLEASE VOTE, SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE AS PROMPTLY AS POSSIBLE. THE GIVING OF A PROXY WILL NOT AFFECT YOUR RIGHT TO REVOKE SUCH PROXY BY APPROPRIATE WRITTEN NOTICE OR BY VOTING IN PERSON AT THE MEETING. PLEASE NOTE THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU MUST BRING TO THE MEETING A LETTER FROM THE BROKER, BANK OR OTHER NOMINEE CONFIRMING YOUR BENEFICIAL OWNERSHIP OF THE SHARES AND YOU MUST OBTAIN FROM THE RECORD HOLDER A PROXY ISSUED IN YOUR NAME.

PICO HOLDINGS, INC.
875 PROSPECT STREET, SUITE 301
LA JOLLA, CALIFORNIA 92037

PROXY STATEMENT FOR
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON OCTOBER 11, 2001

The proxy accompanying this Proxy Statement is solicited by the Board of Directors of PICO Holdings, Inc., a California corporation (the "Company"), to be voted at the Annual Meeting of Shareholders of the Company (the "Annual Meeting") to be held at 3264 Goni Road, Suite 153, Carson City, Nevada 89706, at 9:00 a.m. (PDT) on Thursday, October 11, 2001 and at any postponement or adjournment thereof. The proxy may be revoked by appropriate written notice at any time before it is exercised or by voting in person at the meeting.

GENERAL INFORMATION

A copy of the Company's Annual Report to Shareholders for 2000 accompanies this Proxy Statement. The Annual Report and these proxy solicitation materials are being mailed on or about August 22, 2001 to all shareholders entitled to vote at the meeting.

As of August 20, 2001, the record date for the determination of shareholders entitled to vote at the Annual Meeting, 12,390,096 shares of Common Stock of the Company were issued and outstanding, excluding 4,394,127 treasury shares. Each share of Common Stock entitles the holder to one vote on all matters brought before the Annual Meeting, except for the 4,394,127 shares held by the Company and subsidiaries of the Company which may not be voted.

In voting for the election of directors, shareholders have cumulative voting rights. Accordingly, each shareholder may cumulate such voting power as such shareholder possesses and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of shares held by the shareholder, or distribute such shareholder's votes on the same principle among two or more candidates, as such shareholder sees fit. However, no shareholder is entitled to cumulate votes (in other words, cast for any candidate a number of votes greater than the number of shares of stock held by such shareholder) unless at least one shareholder has given notice, at the Annual Meeting prior to the voting, of the shareholder's intention to cumulate votes. If any shareholder has given such notice, all shareholders may cumulate their votes for nominated candidates.

The proxy, if returned properly executed and not subsequently revoked by written notice delivered to the Secretary of the Company or by the shareholder voting in person at the Annual Meeting, will be voted in accordance with the choice made by the shareholder thereon. If a choice is not made with respect to any issue, the proxy will be voted for the items described in this Proxy Statement. If cumulative voting is permitted in the election of directors at the Annual Meeting, the proxy holders shall have discretion as to the manner in which votes represented by the proxy are to be cumulated, unless the proxy indicates the manner in which such votes shall be cumulated.

Votes cast by proxy or in person at the Annual Meeting will be tabulated by the inspectors of election appointed for the meeting who will also determine whether or not a quorum is present. The inspectors of election will treat abstentions, and any shares as to which a broker or nominee has indicated that it does not have discretionary authority to vote on a particular matter, as shares that are present and entitled to vote for purposes of determining the presence of a quorum at the meeting, but will not be considered as present with respect to that matter.

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STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information, as of August 1, 2001, with respect to the beneficial ownership of the Company's Common Stock entitled to vote by each person known by the Company to be the beneficial owner of more than 5% of Common Stock, and by each director, each Named Officer (as defined below) and all executive officers and directors as a group. Except as otherwise indicated, each person has sole investment and voting power, subject to community property laws. Unless otherwise indicated, the business address for each person is 875 Prospect Street, Suite 301, La Jolla, CA 92037.

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SH AND NATURE BENEFICIAL OWNE
Ronald Langley(2) (4)	4,031,2
John R. Hart(3) (4)	4,031,5
Robert R. Broadbent(5)	10,9
Carlos C. Campbell(5)	1,5
S. Walter Foulkrod, III, Esq. (5)	4,4
Richard D. Ruppert, MD (5)(6)	8,7
John D. Weil(5) (7)	4,107,9
Richard H. Sharpe(8)	118,3
Gary W. Burchfield(9)	61,4
Maxim C. W. Webb(10)	60,9
James F. Mosier(11)	61,3
PICO Equity Investors, L.P. (12)	3,333,3
Dimensional Fund Advisors Inc. (13) 1299 Ocean Avenue, 11th Floor, Santa Monica, CA 90401	687,8
Artisan Partners Limited Partnership, Artisan Investment Corporation, Andrew Ziegler, and Carlene Murphy Ziegler (14) 1000 N. Water Street, Suite 1770, Milwaukee, WI 53202	1,385,7

Executive Officers and Directors as a Group (11 persons) 5,831,9

*Less than one percent (1%)

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(1) Sole voting and investment power unless otherwise indicated.

(2) Of these shares, 460,635 represent beneficial ownership of stock options exercisable within the next 60 days. 4,845 shares are held in the Company's 401(k) Plan. Mr. Langley owns a membership interest in PICO Equity Investors Management, LLC which has voting control of 3,333,333 shares of the Company.

(3) Of these shares, 479,738 represent beneficial ownership of stock options exercisable within the next 60 days. 6,401 shares are held in the Company's 401(k) Plan. Mr. Hart owns a membership interest in PICO Equity Investors Management, LLC

which has voting control of 3,333,333 shares of the Company. The number of shares shown above does not include 19,940 shares of the Company held in a deferred compensation plan Rabbi Trust for Mr. Hart.

(4) Mr. Langley and Mr. Hart each had 1993 call option agreements with Guinness Peat Group plc; in August 1998 the Company assumed Guinness Peat Group's obligations with respect to these 412,846 options. Mr. Langley exercised 57,307 of his call options in December 1998 and has 149,116 call options remaining. Mr. Hart has not exercised any call options and has 206,423 call options remaining.

(5) Each nonemployee director of the Company received a grant of 1,500 stock options pursuant to the PICO Holdings, Inc. 2000 Nonstatutory Stock Option Plan, which was approved by the Company's shareholders on October 19, 2000.

(6) Dr. Ruppert shares voting and investment power with his wife.

(7) Of these shares, 773,158 are owned by a partnership which Mr. Weil controls. Mr. Weil owns a membership interest in PICO Equity Investors Management, LLC which has voting control of 3,333,333 shares of the Company.

(8) Of these shares, 110,219 represent beneficial ownership of stock options exercisable within the next 60 days. In addition, 3,661 shares are held in the Company's 401(k) Plan.

(9) Of these shares, 56,111 represent beneficial ownership of stock options exercisable within the next 60 days. In addition, 1,128 shares are held in the Company's 401(k) Plan. Mr. Burchfield left the Company's employment on June 15, 2001.

(10) Mr. Webb was elected Chief Financial Officer and Treasurer of the Company on May 14, 2001. He previously served as an executive officer of the Company as Vice President, Investments. Of these shares, 59,123 represent beneficial ownership of stock options exercisable within the next 60 days.

In addition, 1,494 shares are held in the Company's 401(k) Plan.

(11) Of these shares, 56,111 represent beneficial ownership of stock exercisable within the next 60 days. In addition, 2,371 shares are held in the Company's 401(k) Plan.

(12) Pursuant to a rights offering conducted by the Company in March 2000, an investment partnership named PICO Equity Investors, L.P. acquired on March 28, 2000, 3,333,333 newly issued shares which were not subscribed for in the rights offering. PICO Equity Investors, L.P. is managed by PICO Equity Investors Management, LLC. PICO Equity Investors Management, LLC is owned by Mr. Langley, Mr. Hart and Mr. Weil. PICO Equity Investors Management, LLC will exercise all voting and investment decisions with respect to these 3,333,333 shares for up to ten years. The interest of PICO Investors Management, LLC in any profits and losses earned on this investment will be proportional to the capital contributions made to PICO Equity Investors, L.P. by the partners, i.e., 1,000/50,001,000. There are no other fees or other management compensation of any kind payable to Mr. Langley, Mr. Hart, and Mr. Weil.

(13) The Company received a Form 13-G filing from Dimensional Fund Advisors Inc. in 2001 for calendar year 2000.

(14) The Company received a Form 13-G filing from Artisan Partners Limited Partnership, Artisan Investment Corporation, Andrew A. Ziegler, and Carlene Murphy Ziegler as of April 30, 2001.

1. ELECTION OF DIRECTORS

NOMINEES AND CONTINUING DIRECTORS

The Board of Directors is divided into three classes, with the terms of office of each class ending in successive years. Pursuant to Section 3.2 of the Company's By-laws, the total number of directors has been established as seven. Two directors of the Company are to be elected for terms ending at the Annual Meeting of Shareholders in the year 2004 or until their respective successors have been duly elected and qualified.

Unless otherwise instructed, the proxy holders named on the enclosed form of proxy intend to distribute the votes represented by proxies in such proportions as they deem desirable to elect the two nominees named below or their substitutes. Although it is not contemplated that any nominee will decline or be unable to serve, if either occurs prior to the Annual Meeting, a substitute

nominee will be selected by the Board of Directors. See "Stock Ownership of Certain Beneficial Owners and Management" for the number of shares of Common Stock beneficially owned by these nominees.

The following table sets forth information regarding the nominees for election as directors and the other directors whose terms of office as directors will continue after the Annual Meeting, including their ages, a brief description of their business experience, certain directorships held by each of them and the year in which each became a director of the Company.

If a quorum is present and voting, the nominees for election as directors receiving the highest numbers of votes shall be elected. Abstentions and broker non-votes have no effect on the vote. THE COMPANY'S BOARD RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE NOMINEES FOR ELECTION LISTED BELOW.

DIRECTOR NAME	BUSINESS EXPERIENCE
NOMINEES STANDING FOR TERMS ENDING IN 2004:	
Robert R. Broadbent	Retail consultant since 1989; Chairman of Higbee Company from 19 1989; President, CEO, Director and Vice Chairman of the Higbee C from 1979 to 1984; President and Chief Executive Officer of Libe House - Mainland from 1976 to 1978; Chairman and CEO of Gimbel's 1973 to 1976; Director of Physicians from 1993 to 1995.
Carlos C. Campbell	President of C.C. Campbell & Company, Reston, Virginia, since 19 Director of Resource America, Inc.; Director of Laidlaw Global C Chairman of Geolink Advisors, LLC.
DIRECTORS WITH TERMS ENDING IN 2002:	
John R. Hart	President and CEO and Director of the Company since 1996; Presid Quaker Holdings Limited, an investment company, since 1991; Prin with Detwiler, Ryan & Company, Inc., an investment bank, from 19 1991; Director of Physicians since 1993; President and CEO of Ph since 1995; President and CEO and Director of Global Equity Corp since 1995; Director of HyperFeed Technologies, Inc.
Ronald Langley	Chairman and Director of the Company since 1996; Director of Phy since 1993; Chairman of Physicians since 1995: Chairman and Dire Global Equity Corporation since 1995; Director of HyperFeed Technologies, Inc.; Director of MC Shipping Inc.
John D. Weil	President, Clayton Management Company, an investment company; Di of Todd Shipyards Corporation, Oglebay Norton Company, Southern Investors Service Company, Inc., Allied Health Products, Inc., a Baldwin & Lyons, Inc.
DIRECTORS WITH TERMS ENDING IN 2003:	
S. Walter Foulkrod, III, Esq.	Attorney; owner of one third of the issued and outstanding capit stock of Foulkrod Ellis Professional Corporation, Attorneys at L Harrisburg, PA; sole owner of S. Walter Foulkrod, III & Associat Attorneys at Law, Harrisburg, PA from 1994 through 2000; Preside Chairman of Foulkrod, Reynolds & Havas, PC, from 1984 to 1994; Director of Physicians Insurance Company of Ohio ("Physicians") 1988.
Richard D. Ruppert, MD	Physician; President of Medical College of Ohio from 1978 to 199 President of American Society of Internal Medicine from 1992 to Director of Physicians since 1988.

2. RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Company's Board of Directors is seeking shareholder ratification of its selection of Deloitte & Touche LLP to serve as the Company's auditors for the fiscal year ending December 31, 2001. Deloitte & Touche LLP has previously served as the auditors of the Company since July 1997. It is anticipated that representatives of Deloitte & Touche LLP will attend the Annual Meeting, will have the opportunity to make any statements they may desire, and will be available to respond to appropriate questions from PICO shareholders. Approval of this proposal requires the affirmative vote of the holders of a majority of the shares represented and voting at the Annual Meeting. THE COMPANY'S BOARD RECOMMENDS A VOTE "FOR" THIS PROPOSAL.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of the Company has an Executive Committee, an Audit Committee, a Compensation Committee, and a Nominating Committee.

The Executive Committee currently consists of Messrs. Langley (Chairman), Hart, and Weil. The Executive Committee may exercise substantially all the powers vested in the Board of Directors except for certain actions as prescribed by California law.

The Audit Committee consists of Messrs. Ruppert (Chairman), Campbell and Foulkrod, none of whom has been or is an officer or employee of the Company. In 2000, this Committee met six times. The functions of the Audit Committee include reviewing the accounting principles and practices employed by the Company and its subsidiaries; meeting with the Company's independent auditors to review their reports on their audits of the Company's financial statements, their comments on the internal accounting controls of the Company and the action taken by management with regard to such comments; reviewing auditor independence; issuing an Audit Committee report to shareholders; and recommending annually to the Board of Directors the appointment of the Company's independent auditors. The Audit Committee has the authority, in its discretion, to order interim and unscheduled audits and to perform such other duties as may be assigned to it from time to time by the Board of Directors.

The Compensation Committee consists of Messrs. Weil (Chairman), Campbell, and Ruppert, none of whom was or is an officer or employee of the Company. The Compensation Committee met one time in 2000. The functions of the Compensation Committee include reviewing and approving the overall executive compensation program for officers of the Company and its subsidiaries, considering and reviewing compensation levels for services as a member of the Board of Directors, approving individual executive officer compensation packages and recommending to the Board of Directors modifications of the compensation package for the Chief Executive Officer. The Compensation Committee's goals are to attract and retain qualified directors and key executives critical to the long-term success of the Company, to reward executives for the long-term success of the Company and the enhancement of shareholder value, and to integrate executive compensation with both annual and long-term financial results of the Company.

The Nominating Committee met one time in 2000. Its members consist of Messrs. Langley (Chairman), Broadbent, and Campbell. The Committee will consider nominees recommended by shareholders; such recommendations must be submitted in writing to the Committee.

DIRECTORS' ATTENDANCE

In 2000, there were four meetings of the Board of Directors of the Company. All of the directors attended 75% or more of the aggregate of their respective Board of Directors and Committee meetings.

DIRECTORS' COMPENSATION

Directors who are not officers or employees of the Company or its subsidiaries receive an annual retainer, plus $1,000 for each Board and Committee meeting attended in person and $500.00 for each telephonic Board and Committee meeting attended. There is a limit of $4,000 per day in Board and Committee fees to any one director. In line with a recent study by William M. Mercer, Incorporated, the annual retainer for each nonemployee member of the Board of Directors was increased from $15,000 to $20,000 effective July 1, 2000; see Report of the Compensation Committee.

EXECUTIVE COMPENSATION AND OTHER MATTERS

The following table sets forth information concerning the compensation for fiscal year 2000 of the (i) Chief Executive Officer of the Company and (ii) the five other highly compensated executive officers of the Company as of December 31, 2000 whose salary and bonus exceeded $100,000. (Messrs. Langley, Hart, Sharpe, Burchfield, Webb and Mosier are sometimes hereinafter referred to as "Named Officers"). Amounts under the caption "Bonus" are amounts earned for performance during the year including amounts paid after the end of the year.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION		LONG-TER COMPENSAT AWARDS
NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	SECURITI UNDERLYI OPTIONS ALL OTHE (SHARES)
Chief Executive Officer:				
John R. Hart(1) (2)	2000	$800,000	-0-	456,58
President and Chief	1999	$800,000	-0-	-0-
Executive Officer	1998	$800,000	-0-	-0-
Executive Officers				
Ronald Langley(2) (3)	2000	$800,000	-0-	427,93
Chairman of the	1999	$800,000	-0-	-0-
Board of Directors	1998	$800,000	-0-	-0-
Richard H. Sharpe(4)	2000	$202,199	-0-	75,149

Chief Operating Officer	1999	$192,570	-0-	-0-
	1998	$199,029	-0-	-0-
Gary W. Burchfield(5)				
Chief Financial Officer	2000	$148,800	-0-	21,04
And Treasurer	1999	$141,750	-0-	-0-
	1998	$164,640	-0-	-0-
Maxim C. W. Webb(6)	2000	$137,500	-0-	40,47
Chief Financial Officer	1999	$ 80,000	-0-	-0-
And Treasurer	1998	$ 90,000	-0-	-0-
James F. Mosier(7)			-0-	
General Counsel	2000	$138,500	-0-	21,04
And Secretary	1999	$131,985	-0-	-0-
	1998	$126,917		-0-

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(1) Mr. Hart became President and CEO of the Company on November 20, 1996. Prior to that time he was President and CEO of Physicians Insurance Company of Ohio since July 15, 1995.

(2) On December 31, 1997, Mr. Langley and Mr. Hart each signed employment agreements with the Company. Each employment agreement provides for annual compensation of $800,000.

(3) Mr. Langley became Chairman of the Board of Directors of Physicians Insurance Company of Ohio on July 15, 1995. He became Chairman of the Board of Directors of the Company on November 20, 1996.

(4) Mr. Sharpe became Chief Operating Officer of Physicians Insurance Company of Ohio on June 3, 1994. He became Chief Operating Officer of the Company on November 20, 1996.

(5) Mr. Burchfield became Chief Financial Officer and Treasurer of Physicians Insurance Company of Ohio on November 3, 1995. He became Chief Financial Officer and Treasurer of the Company on November 20, 1996. Mr. Burchfield left the Company's employment on June 15, 2001.

(6) Mr. Webb became Chief Financial Officer and Treasurer on May 14, 2001. Prior to that he was Vice President, Investments of the Company.

(7) Mr. Mosier became General Counsel and Secretary of Physicians Insurance Company of Ohio in 1984. He became General Counsel and Secretary of the Company on November 20, 1996.

(8) Represents amounts contributed by the Company to the PICO Holdings, Inc. Employees 401(k) Retirement Plan and Trust. This retirement plan conforms to the requirements of the Employee Retirement Income Security Act.

(9) This represents stock options granted in 2000 pursuant to the PICO Holdings, Inc. 2000 Nonstatutory Stock Option Plan.

OPTION GRANTS IN LAST FISCAL YEAR

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENTAGE OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 2000	EXERCISE PRICE	EXPIRATION DATE
John R. Hart(1)	456,586	42%	$15.00	4/7/2020
Ronald Langley(1)	427,932	39%	$15.00	4/7/2020
Richard H. Sharpe(1)	75,149	6.9%	$15.00	4/7/2020
Gary W. Burchfield(1)	21,042	1.9%	$15.00	4/7/2020
Maxim C. W. Webb(1)	40,472	3.7%	$15.00	4/7/2020
James F. Mosier(1)	21,042	1.9%	$15.00	4/7/2020

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(1) The above options were granted pursuant to the PICO Holdings, Inc. 2000 Nonstatutory Stock Option Plan as approved by the Company's shareholders. One third of these stock options were exercisable on April 7, 2000, an additional one third of these stock options became exercisable on April 7, 2001 and the remaining one third of these stock options will become exercisable on April 7, 2002.

(2) The amounts reflected in this table represent certain assumed rates of appreciation only. Actual realized values, if any, on option exercises will be dependent on the actual appreciation of the Company's shares over the term of the options. There can be no assurances that the Potential Realizable Values in this table will be achieved.

OPTION EXERCISES AND FISCAL 2000 YEAR-END VALUE

The following table provides information concerning stock options held as of December 31, 2000 by the Named Officers. No options were exercised in 2000 by such individuals.

AGGREGATE OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT 12/31/00(1)		VALU IN-T
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE
Ronald Langley(1)	317,991	285,288	-0-
John R. Hart(1)	327,542	304,391	-0-
Richard H. Sharpe(1)	85,168	50,100	-0-
Gary W. Burchfield(1)	49,097	14,028	-0-
Maxim C. W. Webb(1)	38,965	26,982	-0-
James F. Mosier(1)	49,097	14,028	-0-

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(1) This applies to stock options granted by the Company, stock options granted pursuant to the Physicians Insurance Company of Ohio 1995 Non-Qualified Stock Option Plan which was assumed by the Company in 1996, and stock options granted by Global Equity Corporation which were assumed by the Company in 1998.

(2) Based on the closing price of the Company's Common Stock on December 31, 2000 on the Nasdaq National Market of $12.438 per share.

EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS

Mr. Langley and Mr. Hart each entered into employment agreements effective December 31, 1997 with the Company. Total compensation to Mr. Langley and Mr. Hart under these employment agreements is $800,000 each on an annual basis.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pursuant to a rights offering conducted by the Company in March 2000, an investment partnership named PICO Equity Investors, L.P. acquired on March 28, 2000, 3,333,333 newly issued shares which were not subscribed for in the rights offering. PICO Equity Investors, L.P. is managed by PICO Equity Investors Management, LLC. PICO Equity Investors Management, LLC is owned by Mr. Langley, Mr. Hart and Mr. Weil. PICO Equity Investors Management, LLC will exercise all voting and investment decisions with respect to these 3,333,333 shares for up to ten years. The interest of PICO Investors Management, LLC in any profits and losses earned on this investment will be proportional to the capital contributions made to PICO Equity Investors, L.P. by the partners, i.e., 1,000/50,001,000. There are no other fees or other management compensation of any kind payable to Mr. Langley, Mr. Hart, and Mr. Weil.

REPORT OF THE COMPENSATION COMMITTEE

This report of the Compensation Committee, and the Stock Price Performance Graph set forth below, shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended (the "Securities Act") or under the Securities Exchange Act of 1934, as amended (the "Exchange Act") except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under the Securities Act or the Exchange Act.

COMMITTEE MEMBERS

The three-member Compensation Committee of the Board of Directors is a standing committee composed entirely of outside Directors. Mr. Weil is the chairman and Mr. Campbell and Dr. Ruppert are the other members.

COMMITTEE FUNCTIONS

The Compensation Committee is responsible for assuring that all of the executive compensation programs of the Company are developed, implemented, and administered in a way that supports the Company's fundamental philosophy that a significant portion of executive compensation should be effectively linked to Company performance.

The Compensation Committee meets on a regularly scheduled basis. It reviews and approves the overall executive compensation program which includes both base pay and incentive compensation. It considers and approves individual executive officer compensation packages based on recommendations of the Company's Chief Executive Officer. It recommends, for the approval of the full Board, any modification to the compensation package of the Company's Chief Executive Officer.

The Compensation Committee also reviews the level of compensation paid to nonemployee members of the Company's Board of Directors and makes recommendations to the Board of Directors to modify the level of nonemployee directors compensation when appropriate.

EXECUTIVE COMPENSATION PHILOSOPHY

The Board of Directors of the Company's predecessor retained an independent compensation expert, William M. Mercer, Incorporated ("Mercer"). In 1996, Mercer conducted an analysis of marketplace executive compensation levels. The scope of Mercer's study covered the Company's Chairman and President and Chief Executive Officer. The objectives of Mercer's study were as follows:

- Analyze the scope, responsibilities and skill requirements of the jobs performed by Messrs. Langley and Hart and compare and contrast to comparable benchmark executive positions found in the marketplace.

- Develop an appropriate methodology for selecting comparable benchmark jobs, industry categories and a peer group of companies comparable to the Company in terms of business focus, industry classification and size; and competition for senior executives with the skills, expertise and talent demonstrated by the Company's top two executives.

- For the appropriate benchmark jobs, industry category and peer company group, collect information on marketplace compensation levels and practices from compensation surveys and peer company proxy statements. The companies included in the peer company group are not necessarily those included in the Nasdaq Insurance Stock Index used to determine the most relevant marketplace compensation levels and to compare actual Company compensation levels.

- Develop alternate approaches for structuring the total compensation package for the Company's top two executives, in terms of compensation elements to be used, the mix of total pay and how short and long term incentive compensation might be structured to accurately reflect performance.

Mercer's study recommended to the Compensation Committee a compensation strategy with the following objectives:

- To provide a total compensation package that:

    - is competitive with market rates for executives with similar skill, talent and job requirements.

    - is closely linked to the Company's strategy and the role of covered executives in building shareholder value through growing the book value and, ultimately, the market value of the Company.

- To retain critical executive talent by:

    - providing a reasonable and competitive level of current income (cash flow).

    - providing for loss of future incentive opportunity if an executive terminates employment before unrealized investment gains are realized.

- To link executive rewards to shareholder interests by:

    - tying incentive awards to growth in book value which ultimately translates into increased market price per share (as investments are liquidated for gains, and the Company grows earnings).

    - granting additional stock options in the future.

The Compensation Committee believes that to accomplish these goals, the executive compensation program should be based on three distinct components: base pay, annual incentives, and long-term incentives. The Company obtains industry and peer group surveys, and consults with independent experts, to evaluate the Company's executive compensation programs in comparison with those offered by its comparable competitors.

In March 2000, the Compensation Committee asked Mercer to examine the present level of stock options granted to the Company's management, to recommend an appropriate level of stock options to be granted in the future to the Company's management, and to review the level of compensation paid to the Company's nonemployee directors. The Compensation Committee believed such a review by Mercer was necessary in order to assist the Company in retaining and attracting qualified directors and executives, and to link executive and director rewards to the long term interests of the Company's shareholders. Mercer's study recommended that additional stock options be granted to management to enhance the Company's ability to retain and attract key executives. Mercer's study also recommended that, to enable the Company to remain competitive and to continue to be able to retain and attract qualified members of the Board of Directors and to align directors long term interests with those of shareholders, nonemployee directors compensation should be increased and should contain an element of stock options granted annually. The nonemployee directors options granted annually will vest immediately as a further incentive to nonemployee directors and to further link nonemployee director's compensation with the Company's performance. In line with the recent study by Mercer, with respect to annual cash remuneration paid to nonemployee directors, the board approved the Compensation Committee's recommendation that the Company's annual retainer fee be increased to $20,000 per nonemployee director.

The Compensation Committee has considered amendments to the Internal Revenue Code denying deductions for annual compensation to certain executives in excess of $1 million, subject to certain exceptions. The Company's compensation structure has been such that it does not believe that it is likely that the $1 million cap will affect the Company in the near future. The Internal Revenue Service has issued proposed regulations which, among other things, provide for a transition period of three years for plans previously approved by shareholders. The Company is studying the proposed regulations, but has not yet determined what steps may be required or desirable with respect to its existing plans.

EXECUTIVE COMPENSATION PROGRAM

The features of the executive compensation program as recommended by Mercer and approved by the Compensation Committee are:

BASE COMPENSATION. A fixed rate, to be reviewed annually. Future adjustments will take into account movement in executive compensation levels, changes in job responsibilities, and the size of the Company.

INCENTIVE AWARDS. Based on growth of book value per share in a fiscal year. Awards are earned when a pre-determined threshold is surpassed. If book value per share of the Company exceeds this threshold, the incentive award is equal to 5% of the increase in book value per share multiplied by the number of shares outstanding at the beginning of the fiscal year. The threshold for 2000 was approximately 15%.

GOALS OF COMPENSATION COMMITTEE

The Compensation Committee attempts to align executive compensation with the value achieved by the executives for the Company's shareholders. The Company's compensation program for executives emphasizes a combination of base salary, discretionary bonuses, and stock options designed to attract, retain, and motivate executives who will maximize shareholder value. The Compensation Committee considers individual and Company performance, as well as compensation paid by comparable companies.

Executives also participate in other employee benefit programs, including health insurance, group life insurance, and the Company's 401(k) Plan.

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DISCUSSION OF 2000 COMPENSATION FOR THE CHIEF EXECUTIVE OFFICER

No bonus was paid with respect to the Company's performance in 2000. In 1997, the Compensation Committee recommended to the Board of Directors, and the Board of Directors accepted the recommendation, that it was appropriate for the CEO and the Chairman to be compensated as employees, rather than as consultants. Accordingly, effective December 31, 1997, the CEO and Chairman entered into employment agreements with the Company.

As stated above, the Compensation Committee believes the interest of Company shareholders is best served by aligning the CEO's short-term compensation, over and above competitive fixed annual rate of pay, with an increase in the Company's book value per share which will ultimately be reflected in higher market values per share. Specifically, a threshold was set at 80% of the S&P 500's annualized total return for the five previous calendar years. For 2000, this threshold was approximately 15%. Since the Company's book value per share decreased in 2000, and did not exceed the threshold, no bonus was payable for 2000.

In light of Mercer's March 2000 study, the compensation committee recommended that the Company adopt a stock option plan for the reasons stated above. The Board of Directors approved this recommendation and approved the PICO Holdings, Inc. 2000 Nonstatutory Stock Option Plan, which the Company's shareholders approved on October 19, 2000. Pursuant to the PICO Holdings, Inc. 2000 Nonstatutory Stock Option Plan the Company's CEO was granted 456,586 stock options in 2000.

The Committee believes that the compensation provided by this combination of fixed annual compensation, and short-term and long term incentives provides a mechanism to fairly compensate the CEO while providing the CEO with a strong incentive to maximize shareholder value.

June 15, 2001 Compensation Committee

John D. Weil, Chairman
Carlos C. Campbell
Richard D. Ruppert, MD

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Weil and Campbell, and Dr. Ruppert, serve as members of the Compensation Committee. None of these individuals had any of the interlock relationships requiring disclosure.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors serves as the representative of the Board for general oversight of the Company's financial accounting and reporting process, internal controls, and audit process. Management has the responsibility for preparing the Company's financial statements and the independent auditors have the responsibility for the examination of those statements.

We periodically meet privately with the Company's independent auditors, which has unrestricted access to the Audit Committee. In addition, we meet periodically with the Company's management to consider and review the adequacy and objectivity of the Company's financial reporting. We discuss these matters with the Company's independent auditors and with appropriate Company financial personnel.

We also recommend to the Board of Directors the appointment of an independent auditing firm and review periodically its performance and independence from management.

In this context, the Audit Committee hereby reports as follows:

(1) The Committee has reviewed and discussed with management the audited financial statements for the fiscal year ending December 31, 2000.

(2) The Committee has discussed with the Company's independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees).

(3) The Committee received the written disclosures and the letter from the Company's independent auditor required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). We have discussed with the Company's independent auditors its independence from management and the Company.

(4) Based on the review and discussions noted above with management and the Company's independent auditors, the Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, for filing with the Securities and Exchange Commission. The Committee also recommended to the Board, subject to ratification by the Company's shareholders, the reappointment of the independent auditors and the Board approved such recommendation.

(5) The Audit Committee acts pursuant to a written charter adopted by the Board of Directors. A copy of that charter is attached to this proxy statement as Appendix A.

(6) The Directors who serve on the Committee are all "independent" as defined in the Nasdaq Stock Market listing standards.

The undersigned members of the Audit Committee have submitted this Report of the Audit Committee:

Richard D. Ruppert, MD, Chairman
Carlos C. Campbell
S. Walter Foulkrod, III, Esq.

AUDIT FEES

Aggregate fees billed to the Company for the fiscal year ended December 31, 2000 by the Company's principal accounting firm, Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates were as follows:

Audit Fees	$ 271,110
Other Fees	$ 915,161 (a)
Financial Information Systems Design and Implementation fees	0
Total	$1,186,271

(a) This amount consists of fees paid for audits performed for statutory compliance of $178,160 and tax services of $736,551.

The Audit Committee has considered the role of Deloitte & Touche in providing tax, statutory compliance and other non-audit services to the Company and has concluded that such services are compatible with Deloitte & Touche's independence as the Company's auditors.

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STOCK PRICE PERFORMANCE GRAPH

The graph below compares cumulative total return of the Company, the Nasdaq Insurance Stocks Index, and the Nasdaq Stock Market (U.S. Companies) for the period January 1, 1996 through December 31, 2000.

COMPARISON 5-YEAR CUMULATIVE TOTAL RETURN
AMONG PICO HOLDINGS, INC., NASDAQ INSURANCE STOCK INDEX, AND
RUSSELL 2000 INDEX

	Dec-95	Dec-96	Dec-97	Dec-98	Dec-99	Dec-00
PICO Holdings	100.00	117.86	183.93	75.71	70.36	71.07
NASDAQ Insurance Stock Index	100.00	113.37	139.09	139.00	146.70	169.68
Russell 2000 Index	100.00	114.76	138.31	133.54	159.75	153.03

ASSUMES $100 INVESTED ON JAN. 1, 1996
FISCAL YEAR ENDING DEC. 31, 2000

The graph assumes $100 was invested on January 1, 1996 in the Company's Common Stock, the Nasdaq Stock Market (U.S. Companies) Index, and the Nasdaq Insurance Stocks Index, and that all dividends were reinvested. The performance of PICO Holdings, Inc. stock on this graph represents the historical performance of shares of Citation Insurance Group, which was renamed PICO Holdings, Inc. on November 20, 1996. It does not represent the historical stock performance of Physicians Insurance Company of Ohio.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors and persons who beneficially own more than 10% of the Company's Common Stock to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission ("SEC"). Such persons are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms filed by such persons.

Based on a review of the copies of these reports received by the Company and written representations from certain reporting persons that they have complied with the relevant filing requirements, the Company believes that all filing requirements have been complied with on a timely basis for the fiscal year ended December 31, 2000.

INDEPENDENT AUDITORS

Deloitte & Touche LLP was the Company's independent auditing firm for fiscal year 2000 and has been appointed by the Board of Directors as the Company's independent auditing firm for fiscal year 2001. Representatives of Deloitte & Touche LLP are expected to be present at the meeting, will have the opportunity to make any statements they desire, and will be available to respond to appropriate questions from shareholders.

SOLICITATION OF PROXIES

The Board of Directors is not aware of any matters other than those specifically stated in the Notice of Annual Meeting which are to be presented for action at the meeting. However, should any further matter requiring a vote of the shareholders arise, it is the intention of the persons named in the proxy to vote the proxy in accordance with their judgment.

The cost of this solicitation of proxies is being borne by the Company. In addition to the solicitation of proxies by use of the mails, the Company may use the services of one or more directors, officers or other regular employees of the Company (who will receive no additional compensation for their services in such solicitation) to solicit proxies personally and by telephone. Arrangements will be made with brokerage firms and other custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of the stock held of record by such persons, and the Company will reimburse such firms or persons for reasonable expenses actually incurred by them in so doing.

SHAREHOLDER NOMINATION OF DIRECTORS

Nominations other than those made by the directors of the Company must be in writing and be delivered or mailed to the Secretary of the Company not less than 60 days prior to the Annual Meeting. Such nominations must include the information regarding each nominee required by the Bylaws of the Company. Nominations not made according to these procedures will be disregarded.

STOCKHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING

Proposals of stockholders intended to be presented at the next annual meeting of the stockholders of the Company must be received by the Company at its offices no later than March 9, 2002, and satisfy the conditions established by the Securities and Exchange Commission for stockholder proposals to be included in the Company's proxy statement for that meeting.

TRANSACTION OF OTHER BUSINESS

At the date of this Proxy Statement, the only business that the Board of Directors intends to present or knows that others will present at the meeting is as set forth above. If any other matter or matters are properly brought before the meeting, or any adjournment thereof, it is the intention of the persons named in the accompanying form of proxy to vote the proxy on such matters in accordance with their best judgment.

August 22, 2001

APPENDIX A

AUDIT COMMITTEE CHARTER

This charter shall be reviewed, updated and approved annually by the board of directors.

Role and Independence

The audit committee of the board of directors assists the board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and reporting practices of PICO Holdings, Inc. (the "Company") and other such duties as directed by the board. The membership of the committee shall consist of at least three directors who are generally knowledgeable in financial and auditing matters, including at least one member with accounting or related financial management expertise. Each member shall be free of any relationship that, in the opinion of the board, would interfere with his or her individual exercise of independent judgment, and shall meet the director independence requirements for serving on audit committees as set forth in the corporate governance standards of the NASDAQ. The committee is expected to maintain free and open communication (including private executive sessions at least annually) with the independent accountants and the management of the Company. In discharging this oversight role, the committee is empowered to investigate any matter brought to its attention, with full power to retain outside counsel or other experts for this purpose.

The board of directors shall appoint one member of the audit committee as chairperson. He or she shall be responsible for leadership of the committee, including preparing the agenda, presiding over the meetings, making committee assignments and reporting to the board of directors. The chairperson will also maintain regular liaison with the CEO, CFO, and the lead independent audit partner.

Responsibilities

The audit committee's primary responsibilities include:

- Recommending to the board the independent accountant to be selected or retained to audit the financial statements of the Company. In so doing, the committee will request from the auditor a written affirmation that the auditor is in fact independent, discuss with the auditor any relationships that may impact the auditor's independence, and recommend to the board any actions necessary to oversee the auditor's independence.

- Overseeing the independent auditor relationship by discussing with the auditor the nature and rigor of the audit process, receiving and reviewing audit reports, and providing the auditor full access to the committee (and the board) to report on any and all appropriate matters.

- Providing guidance and oversight to the internal control audit activities of the Company including reviewing the organization, plans and results of such activity.

- Reviewing the audited financial statements and discussing them with management and the independent auditor. These discussions shall include consideration of the quality of the Company's accounting principles as applied in its financial reporting, including review of estimates, reserves and accruals, review of judgmental areas, review of audit adjustments whether or not recorded and such other inquiries as may be appropriate. Based on the review, the committee shall make its recommendation to the board as to the inclusion of the company's audited financial statements in the company's annual report on Form 10-K.

- Reviewing with management and the independent auditor the quarterly financial information prior to the company's filing of Form 10-Q. This review may be performed by the committee or its chairperson.

- Discussing with management and the external auditors the quality and adequacy of the Company's internal controls.

- Discussing with management the status of pending litigation, taxation matters and other areas of oversight to the legal and compliance area as may be appropriate.

- Reporting audit committee activities to the full board and issuing annually a report to be included in the proxy statement (including appropriate oversight conclusions) for submission to the shareholders.

PROXY PROXY

PICO HOLDINGS, INC.
875 PROSPECT STREET, SUITE 301
LA JOLLA, CALIFORNIA 92037

PROXY FOR ANNUAL MEETING OF SHAREHOLDERS SOLICITED BY THE BOARD OF DIRECTORS

The undersigned hereby appoints John R. Hart and James F. Mosier, or either of them acting alone, as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent, and to vote as designated below, all the shares of Common Stock of PICO Holdings, Inc. (the "Company") held of record by the undersigned on August 20, 2001 at the Annual Meeting of Shareholders of the Company to be held at 3264 Goni Road, Suite 153, Carson City, Nevada 89706 on October 11, 2001 at 9:00 a.m. (PDT), and at any adjournment thereof.

PLEASE VOTE, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY
USING THE ENCLOSED ENVELOPE.

(Continued and to be signed on reverse side.)

- -

PICO HOLDINGS, INC.
PLEASE MARK VOTE IN OVAL IN THE FOLLOWING MANNER USING DARK INK ONLY.

		For All	Withhold All	For All Except
1.	Election of Two Directors to Serve for Three-Year Terms until the Annual Meeting of Shareholders in 2004. Nominees: 01 - Robert R. Broadbent 02 - Carlos C. Campbell	[ ]	[ ]	[ ]

(To withhold authority to vote for an individual nominee, strike a line through the nominee's name in the list above.)

		For	Against	Abstain
2.	To ratify the appointment of Deloitte & Touche, LLP as the Company's independent auditors for fiscal year 2001.	[ ]	[ ]	[ ]

3. In their discr
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FOLD AND DETACH HERE

EVEN IF YOU ARE PLANNING TO ATTEND THE MEETING IN PERSON,
YOU ARE URGED TO SIGN AND MAIL THIS PROXY IN THE RETURN ENVELOPE
SO THAT YOUR STOCK MAY BE REPRESENTED AT THE MEETING.

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