

AMERCO /NV/
Form 10-Q
February 07, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2017

or

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

For the transition period from _____ to _____

Commission Registrant, State of Incorporation, I.R.S. Employer

File Number Address and Telephone Number Identification No.

1-11255	AMERCO (A Nevada Corporation) 5555 Kietzke Lane, Ste. 100 Reno, Nevada 89511 Telephone (775) 688-6300	88-0106815
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N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated

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filer”, “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
 No

19,607,788 shares of AMERCO Common Stock, \$0.25 par value, were outstanding at February 1, 2018.

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Part i Financial information

ITEM 1. Financial Statements

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED balance sheets

	December 31, 2017 (Unaudited) (In thousands, except share data)	March 31, 2017
ASSETS		
Cash and cash equivalents	\$ 1,022,887	\$ 697,806
Reinsurance recoverables and trade receivables, net	205,873	178,081
Inventories, net	95,672	82,439
Prepaid expenses	147,375	124,728
Investments, fixed maturities and marketable equities	1,868,314	1,663,768
Investments, other	407,822	367,830
Deferred policy acquisition costs, net	124,820	130,213
Other assets	93,608	97,525
Related party assets	42,909	86,168
	4,009,280	3,428,558
Property, plant and equipment, at cost:		
Land	738,525	648,757
Buildings and improvements	3,000,208	2,618,265
Furniture and equipment	600,216	510,415
Rental trailers and other rental equipment	538,334	492,280
Rental trucks	4,243,305	4,091,598
	9,120,588	8,361,315
Less: Accumulated depreciation	(2,632,909)	(2,384,033)
Total property, plant and equipment	6,487,679	5,977,282
Total assets	\$ 10,496,959	\$ 9,405,840
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	\$ 469,955	\$ 450,541
Notes, loans and leases payable	3,493,908	3,262,880
Policy benefits and losses, claims and loss expenses payable	1,090,206	1,086,322
Liabilities from investment contracts	1,319,945	1,112,498
Other policyholders' funds and liabilities	10,739	10,150
Deferred income	27,491	28,696
Deferred income taxes	671,548	835,009
Total liabilities	7,083,792	6,786,096

Commitments and contingencies (notes 4, 9 and 10)

Stockholders' equity:

Series preferred stock, with or without par value, 50,000,000 shares authorized:

Series A preferred stock, with no par value, 6,100,000 shares authorized;

6,100,000 shares issued and none outstanding as of December 31 and March 31, 2017 — —

Series B preferred stock, with no par value, 100,000 shares authorized; none

issued and outstanding as of December 31 and March 31, 2017 — —

Serial common stock, with or without par value, 250,000,000 shares authorized:

Serial common stock of \$0.25 par value, 10,000,000 shares authorized;

none issued and outstanding as of December 31 and March 31, 2017 — —

Common stock, with \$0.25 par value, 250,000,000 shares authorized:

Common stock of \$0.25 par value, 250,000,000 shares authorized; 41,985,700

issued and 19,607,788 outstanding as of December 31 and March 31, 2017 10,497 10,497

Additional paid-in capital 452,619 452,172

Accumulated other comprehensive loss (9,911) (51,236)

Retained earnings 3,643,253 2,892,893

Cost of common shares in treasury, net (22,377,912 shares as of December 31 and March 31, 2017) (525,653) (525,653)

Cost of preferred shares in treasury, net (6,100,000 shares as of December 31 and March 31, 2017) (151,997) (151,997)

Unearned employee stock ownership plan shares (5,641) (6,932)

Total stockholders' equity 3,413,167 2,619,744

Total liabilities and stockholders' equity \$ 10,496,959 \$ 9,405,840

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

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED Statements of operations

	Quarter Ended December 31, 2017 2016 (Unaudited) (In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	\$574,801	\$541,473
Self-storage revenues	82,127	72,309
Self-moving and self-storage products and service sales	53,130	51,562
Property management fees	9,881	9,734
Life insurance premiums	38,957	41,279
Property and casualty insurance premiums	16,093	14,938
Net investment and interest income	28,821	22,833
Other revenue	39,072	36,327
Total revenues	842,882	790,455
Costs and expenses:		
Operating expenses	438,071	389,352
Commission expenses	63,487	61,052
Cost of sales	33,995	32,537
Benefits and losses	45,168	45,403
Amortization of deferred policy acquisition costs	5,952	5,200
Lease expense	8,415	8,807
Depreciation, net of (gains) losses on disposal of ((\$4,235) and (\$2,099), respectively)	137,061	118,541
Net (gains) losses on disposal of real estate	(192,404)	(2,418)
Total costs and expenses	539,745	658,474
Earnings from operations	303,137	131,981
Interest expense	(31,558)	(28,782)
Amortization on early extinguishment of debt	—	(499)
Pretax earnings	271,579	102,700
Income tax (expense) benefit	257,315	(37,472)
Earnings available to common stockholders	\$528,894	\$65,228
Basic and diluted earnings per common share	\$27.00	\$3.33
Weighted average common shares outstanding: Basic and diluted	19,589,218	19,586,694

Related party revenues for the third quarter of fiscal 2018 and 2017, net of eliminations, were \$10.8 million and \$11.0 million, respectively.

Related party costs and expenses for the third quarter of fiscal 2018 and 2017, net of eliminations, were \$14.1 million and \$13.7 million, respectively.

Please see Note 11, Related Party Transactions, of the Notes to Condensed Consolidated Financial Statements for more information on the related party revenues and costs and expenses.

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

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED Statements of operations

	Nine Months Ended December 31,	
	2017	2016
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	\$1,985,217	\$1,899,519
Self-storage revenues	239,317	212,194
Self-moving and self-storage products and service sales	205,309	199,195
Property management fees	23,474	23,050
Life insurance premiums	116,910	123,064
Property and casualty insurance premiums	42,934	40,202
Net investment and interest income	82,507	75,754
Other revenue	147,825	139,353
Total revenues	2,843,493	2,712,331
Costs and expenses:		
Operating expenses	1,347,477	1,172,647
Commission expenses	222,203	215,330
Cost of sales	124,456	116,851
Benefits and losses	139,997	139,242
Amortization of deferred policy acquisition costs	18,217	19,131
Lease expense	25,277	29,204
Depreciation, net of (gains) losses on disposal of ((\$14,260) and (\$30,398), respectively)	396,540	323,785
Net (gains) losses on disposal of real estate	(192,223)	(2,377)
Total costs and expenses	2,081,944	2,013,813
Earnings from operations	761,549	698,518
Interest expense	(93,926)	(83,197)
Amortization on early extinguishment of debt	-	(499)
Pretax earnings	667,623	614,822
Income tax (expense) benefit	112,117	(225,946)
Earnings available to common stockholders	\$779,740	\$388,876
Basic and diluted earnings per common share	\$39.81	\$19.85
Weighted average common shares outstanding: Basic and diluted	19,588,558	19,586,389

Related party revenues for the first nine months of fiscal 2018 and 2017, net of eliminations, were \$26.8 million and \$26.7 million, respectively.

Related party costs and expenses for the first nine months of fiscal 2018 and 2017, net of eliminations, were \$48.9 million and \$47.9 million, respectively.

Please see Note 11, Related Party Transactions, of the Notes to Condensed Consolidated Financial Statements for more information on the related party revenues and costs and expenses.

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

AMERCO AND CONSOLIDATED ENTITIES

Condensed consolidated statements of COMPREHENSIVE INCOME (loss)

Quarter Ended December 31, 2017	Pre-tax (Unaudited) (In thousands)	Tax	Net
Comprehensive income:			
Net earnings	\$271,579	\$257,315	\$528,894
Other comprehensive income (loss):			
Foreign currency translation	(1,794)	–	(1,794)
Unrealized net gain on investments	4,388	(1,536)	2,852
Change in fair value of cash flow hedges	911	(346)	565
Total comprehensive income	\$275,084	\$255,433	\$530,517

Quarter Ended December 31, 2016	Pre-tax (Unaudited) (In thousands)	Tax	Net
Comprehensive income:			
Net earnings	\$102,700	\$(37,472)	\$65,228
Other comprehensive income (loss):			
Foreign currency translation	(5,821)	–	(5,821)
Unrealized net gain on investments	4,238	(1,483)	2,755
Change in fair value of cash flow hedges	2,853	(931)	1,922
Total comprehensive income	\$103,970	\$(39,886)	\$64,084

Nine Months Ended December 31, 2017	Pre-tax (Unaudited) (In thousands)	Tax	Net
Comprehensive income:			
Net earnings	\$667,623	\$112,117	\$779,740
Other comprehensive income (loss):			
Foreign currency translation	19,240	–	19,240
Unrealized net gain on investments	30,492	(10,672)	19,820
Change in fair value of cash flow hedges	3,655	(1,390)	2,265
Total comprehensive income	\$721,010	\$100,055	\$821,065

Nine Months Ended December 31, 2016	Pre-tax (Unaudited) (In thousands)	Tax	Net
Comprehensive income:			
Net earnings	\$614,822	\$(225,946)	\$388,876
Other comprehensive income (loss):			
Foreign currency translation	(7,803)	–	(7,803)
Unrealized net gain on investments	64,856	(22,700)	42,156

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Change in fair value of cash flow hedges	8,039	(2,901)	5,138
Total comprehensive income	\$679,914	\$(251,547)	\$428,367

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

AMERCO AND CONSOLIDATED ENTITIES

Condensed consolidated statements of cash flows

	Nine Months Ended December 31, 2017 2016 (Unaudited) (In thousands)	
Cash flow from operating activities:		
Net earnings	\$ 779,740	\$ 388,876
Adjustments to reconcile net earnings to cash provided by operations:		
Depreciation	410,800	354,183
Amortization of deferred policy acquisition costs	18,217	19,131
Amortization of debt issuance costs	2,910	3,125
Interest credited to policyholders	23,250	18,190
Change in allowance for losses on trade receivables	(25)	(28)
Change in allowance for inventory reserves	4,334	1,897
Net (gains) losses on disposal of personal property	(14,260)	(30,398)
Net (gains) losses on disposal of real estate	(192,223)	(2,377)
Net (gains) losses on sales of investments	(4,250)	(3,948)
Deferred income taxes	(179,047)	112,448
Net change in other operating assets and liabilities:		
Reinsurance recoverables and trade receivables	(27,659)	(23,919)
Inventories	(17,410)	(1,901)
Prepaid expenses	(22,220)	79,578
Capitalization of deferred policy acquisition costs	(21,501)	(21,040)
Other assets	6,279	(663)
Related party assets	47,804	(5,469)
Accounts payable and accrued expenses	26,764	30,773
Policy benefits and losses, claims and loss expenses payable	2,767	12,843
Other policyholders' funds and liabilities	590	(382)
Deferred income	(1,297)	1,105
Related party liabilities	(4,542)	(711)
Net cash provided by operating activities	839,021	931,313
Cash flows from investing activities:		
Escrow deposits	19,707	(768)
Purchases of:		
Property, plant and equipment	(970,472)	(981,316)
Short term investments	(48,743)	(566,371)
Fixed maturities investments	(274,283)	(261,851)
Equity securities	(662)	(489)
Preferred stock	(1,000)	—
Real estate	(1,783)	(15,863)
Mortgage loans	(80,707)	(159,309)
Proceeds from sales and paydowns of:		
Property, plant and equipment	591,040	412,892
Short term investments	54,319	566,955
Fixed maturities investments	102,404	147,233

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Preferred stock	3,188	3,351
Real estate	5,348	1,681
Mortgage loans	23,726	109,260
Net cash used by investing activities	(577,918)	(744,595)
Cash flows from financing activities:		
Borrowings from credit facilities	426,262	534,008
Principal repayments on credit facilities	(303,212)	(244,545)
Debt issuance costs	(4,581)	(4,529)
Capital lease payments	(219,623)	(141,750)
Employee Stock Ownership Plan	(6,764)	(7,541)
Securitization deposits	(2,181)	371
Common stock dividends paid	(19,587)	(39,171)
Investment contract deposits	347,695	180,554
Investment contract withdrawals	(163,499)	(64,459)
Net cash provided by financing activities	54,510	212,938
Effects of exchange rate on cash	9,468	(16,117)
Increase in cash and cash equivalents	325,081	383,539
Cash and cash equivalents at the beginning of period	697,806	600,646
Cash and cash equivalents at the end of period	\$ 1,022,887	\$ 984,185

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

AMERCO and consolidated entities

notes to condensed consolidated financial statements

1. Basis of Presentation

AMERCO, a Nevada corporation (“AMERCO”), has a third fiscal quarter that ends on the 31st of December for each year that is referenced. Our insurance company subsidiaries have a third quarter that ends on the 30th of September for each year that is referenced. They have been consolidated on that basis. Our insurance companies’ financial reporting processes conform to calendar year reporting as required by state insurance departments. Management believes that consolidating their calendar year into our fiscal year financial statements does not materially affect the presentation of financial position or results of operations. We disclose any material events, if any, occurring during the intervening period. Consequently, all references to our insurance subsidiaries’ years 2017 and 2016 correspond to fiscal 2018 and 2017 for AMERCO.

Accounts denominated in non-U.S. currencies have been translated into U.S. dollars. Certain amounts reported in previous years have been reclassified to conform to the current presentation.

The condensed consolidated balance sheet as of December 31, 2017 and the related condensed consolidated statements of operations, comprehensive income (loss) for the third quarter and first nine months and cash flows for the first nine months of fiscal 2018 and 2017 are unaudited.

In our opinion, all adjustments necessary for the fair presentation of such condensed consolidated financial statements have been included. Such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results for a full year. The information in this Quarterly Report on Form 10-Q (“Quarterly Report”) should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations and financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2017.

Intercompany accounts and transactions have been eliminated.

Description of Legal Entities

AMERCO is the holding company for:

U-Haul International, Inc. (“U-Haul”),

Amerco Real Estate Company (“Real Estate”),

Repwest Insurance Company (“Repwest”), and

Oxford Life Insurance Company (“Oxford”).

Unless the context otherwise requires, the terms “Company,” “we,” “us” or “our” refer to AMERCO and all of its legal subsidiaries.

Description of Operating Segments

AMERCO has three reportable segments. They are Moving and Storage, Property and Casualty Insurance and Life Insurance.

The Moving and Storage operating segment (“Moving and Storage”) includes AMERCO, U-Haul, and Real Estate and the wholly-owned subsidiaries of U-Haul and Real Estate. Operations consist of the rental of trucks and trailers, sales of moving supplies, sales of towing accessories, sales of propane and the rental of fixed and portable moving and storage units to the “do-it-yourself” mover and management of self-storage properties owned by others. Operations are conducted under the registered trade name U-Haul® throughout the United States and Canada.

AMERCO and consolidated entities

notes to condensed consolidated financial statements (Continued)

The Property and Casualty Insurance operating segment (“Property and Casualty Insurance”) includes Repwest and its wholly-owned subsidiaries and ARCOA Risk Retention Group (“ARCOA”). Property and Casualty Insurance provides loss adjusting and claims handling for U-Haul® through regional offices in the United States and Canada. Property and Casualty Insurance also underwrites components of the Safemove®, Safetow®, Safemove Plus®, Safestor® and Safestor Mobile® protection packages to U-Haul customers. The business plan for Property and Casualty Insurance includes offering property and casualty insurance products in other U-Haul related programs. ARCOA is a group captive insurer owned by us and our wholly-owned subsidiaries whose purpose is to provide insurance products related to our moving and storage business.

The Life Insurance operating segment (“Life Insurance”) includes Oxford and its wholly-owned subsidiaries. Life Insurance provides life and health insurance products primarily to the senior market through the direct writing and reinsuring of life insurance, Medicare supplement and annuity policies.

2. Earnings per Share

Our earnings per share is calculated by dividing our earnings available to common stockholders by the weighted average common shares outstanding, basic and diluted.

The weighted average common shares outstanding exclude post-1992 shares of the employee stock ownership plan that have not been committed to be released. The unreleased shares, net of shares committed to be released, were 18,279 and 20,958 as of December 31, 2017 and 2016, respectively.

3. Investments

Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

We deposit bonds with insurance regulatory authorities to meet statutory requirements. The adjusted cost of bonds on deposit with insurance regulatory authorities was \$30.2 million and \$16.8 million at December 31, 2017 and March 31, 2017, respectively.

Available-for-Sale Investments

Available-for-sale investments at December 31, 2017 were as follows:

	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses More than 12 Months	Gross Unrealized Losses Less than 12 Months	Estimated Market Value
	(Unaudited) (In thousands)				
U.S. treasury securities and government obligations	\$ 123,695	\$ 3,529	\$(770)	\$(390)	\$ 126,064
	26,598	1,373	(1)	(5)	27,965

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U.S. government agency mortgage-backed securities Obligations of states and political subdivisions	173,039	10,055	(148)	(81)	182,865
Corporate securities	1,351,074	51,228	(2,957)	(2,556)	1,396,789
Mortgage-backed securities	94,208	2,072	–	(100)	96,180
Redeemable preferred stocks	11,589	428	–	(31)	11,986
Common stocks	15,732	10,743	(10)	–	26,465
	\$1,795,935	\$79,428	\$(3,886)	\$(3,163)	\$ 1,868,314

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Available-for-sale investments at March 31, 2017 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses More than 12 Months	Gross Unrealized Losses Less than 12 Months	Estimated Market Value
(In thousands)					
U.S. treasury securities and government obligations	\$123,474	\$2,892	\$-	\$(1,675)	\$ 124,691
U.S. government agency mortgage-backed securities	27,908	1,070	(6)	(377)	28,595
Obligations of states and political subdivisions	159,417	9,466	(23)	(424)	168,436
Corporate securities	1,263,703	32,901	(5,731)	(13,837)	1,277,036
Mortgage-backed securities	26,577	515	-	(5)	27,087
Redeemable preferred stocks	13,789	168	-	(468)	13,489
Common stocks	15,732	8,728	(10)	(16)	24,434
	\$1,630,600	\$55,740	\$(5,770)	\$(16,802)	\$ 1,663,768

The available-for-sale tables include gross unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

We sold available-for-sale securities with a fair value of \$101.2 million during the first nine months of fiscal 2018. The gross realized gains on these sales totaled \$3.8 million. The gross realized losses on these sales totaled \$0.1 million.

The unrealized losses of more than twelve months in the available-for-sale tables are considered temporary declines. We track each investment with an unrealized loss and evaluate it on an individual basis for other-than-temporary impairments including obtaining corroborating opinions from third party sources, performing trend analysis and reviewing management's future plans. Certain of these investments may have declines determined by management to be other-than-temporary and we recognize these write-downs, if any, through earnings. There were no write downs for the first nine months of fiscal 2018 or 2017.

The investment portfolio primarily consists of corporate securities and obligations of states and political subdivisions. We believe we monitor our investments as appropriate. Our methodology of assessing other-than-temporary impairments is based on security-specific analysis as of the balance sheet date and considers various factors including the length of time to maturity, the extent to which the fair value has been less than the cost, the financial condition and the near-term prospects of the issuer, and whether the debtor is current on its contractually obligated interest and principal payments. Nothing has come to management's attention that would lead to the belief that each issuer would not have the ability to meet the remaining contractual obligations of the security, including payment at maturity. We have the ability and intent not to sell our fixed maturity and common stock investments for a period of time sufficient to allow us to recover our costs.

The portion of other-than-temporary impairment related to a credit loss is recognized in earnings. The significant inputs utilized in the evaluation of mortgage-backed securities credit losses include ratings, delinquency rates, and prepayment activity. The significant inputs utilized in the evaluation of asset backed securities credit losses include the time frame for principal recovery and the subordination and value of the underlying collateral.

There were no credit losses recognized in earnings for which a portion of an other-than-temporary impairment was recognized in accumulated other comprehensive income (loss) for first nine months of fiscal 2018 and fiscal 2017, respectively.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The adjusted cost and estimated market value of available-for-sale investments by contractual maturity, were as follows:

	December 31, 2017		March 31, 2017	
	Estimated		Estimated	
	Amortized		Amortized	
	Market		Market	
	Cost	Value	Cost	Value
	(Unaudited)			
	(In thousands)			
Due in one year or less	\$41,025	\$41,353	\$35,399	\$35,795
Due after one year through five years	396,559	408,603	324,286	333,016
Due after five years through ten years	611,026	631,009	598,232	607,184
Due after ten years	625,796	652,718	616,585	622,763
	1,674,406	1,733,683	1,574,502	1,598,758
Mortgage backed securities	94,208	96,180	26,577	27,087
Redeemable preferred stocks	11,589	11,986	13,789	13,489
Common stocks	15,732	26,465	15,732	24,434
	\$1,795,935	\$1,868,314	\$1,630,600	\$1,663,768

4. Borrowings

Long Term Debt

Long term debt was as follows:

	2018 Rate (a)	Maturities	December 31, 2017	March 31, 2017
			(Unaudited)	
			(In thousands)	
Real estate loan (amortizing term)	2.94% - 6.93%	2023	\$137,786	\$169,289
Senior mortgages	3.72% - 6.62%	2021 - 2038	1,472,209	1,292,160
Working capital loans (revolving credit)	2.83%	2018	55,000	85,000
Fleet loans (amortizing term)	1.95% - 4.76%	2018 - 2024	322,542	324,977
Fleet loans (securitization)	4.90%	-	-	52,112
Fleet loans (revolving credit)	2.50% - 2.51%	2020 - 2021	477,000	417,000
Capital leases (rental equipment)	1.92% - 4.86%	2018 - 2025	982,653	876,828
Other obligations	2.75% - 8.00%	2018 - 2047	72,788	69,867
Notes, loans and leases payable			3,519,978	3,287,233
Less: Debt issuance costs			(26,070)	(24,353)
Total notes, loans and leases payable			\$3,493,908	\$3,262,880

(a) Interest rate as of December 31, 2017, including the effect of applicable hedging instruments.

Real Estate Backed Loans

Real Estate Loan

Amerco Real Estate Company and certain of its subsidiaries and U-Haul Company of Florida are borrowers under a Real Estate Loan. As of December 31, 2017, the outstanding balance on the Real Estate Loan was \$137.8 million. The Real Estate Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The Real Estate Loan is secured by various properties owned by the borrowers. The final maturity of the term loan is April 2023.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The interest rate, per the provisions of the amended loan agreement, is the applicable London Inter-Bank Offer Rate (“LIBOR”) plus the applicable margin. At December 31, 2017, the applicable LIBOR was 1.44% and the applicable margin was 1.50%, the sum of which was 2.94%, which was applied to \$75.6 million of the Real Estate Loan. The rate of the remaining balance of \$62.2 million of the Real Estate Loan is hedged with an interest rate swap fixing the rate at 6.93% based on current margin. The interest rate swap expires in August 2018, after which date the remaining balance will incur interest at a rate of LIBOR plus a margin of 1.50%. The default provisions of the Real Estate Loan include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

Senior Mortgages

Various subsidiaries of Amerco Real Estate Company and U-Haul International, Inc. are borrowers under certain senior mortgages. These senior mortgage loan balances as of December 31, 2017 were in the aggregate amount of \$1,472.2 million and mature between 2021 and 2038. The senior mortgages require monthly principal and interest payments. The senior mortgages are secured by certain properties owned by the borrowers. The fixed interest rates, per the provisions of the senior mortgages, range between 3.72% and 6.62%. Certain senior mortgages have an anticipated repayment date and a maturity date. If these senior mortgages are not repaid by the anticipated repayment date, the interest rate on these mortgages would increase from the current fixed rate. We are using the anticipated repayment date for our maturity schedule. Amerco Real Estate Company and U-Haul International, Inc. have provided limited guarantees of the senior mortgages. The default provisions of the senior mortgages include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

Working Capital Loans

Various subsidiaries of Amerco Real Estate Company and U-Haul International, Inc. are borrowers under an asset backed working capital loan. The maximum amount that can be drawn at any one time is \$55.0 million. At December 31, 2017, the outstanding balance was \$55.0 million. This loan is secured by certain properties owned by the borrowers. This loan agreement provides for term loans, subject to the terms of the loan agreement. The final maturity of the loan is November 2018. This loan requires monthly interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. The interest rate, per the provision of the loan agreement, is the applicable LIBOR plus the applicable margin. At December 31, 2017, the applicable LIBOR was 1.33% and the margin was 1.50%, the sum of which was 2.83%. AMERCO is the guarantor of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

AMERCO is a borrower under working capital loan. The current maximum credit commitment is \$150.0 million, which can be increased to \$300.0 million by bringing in other lenders. At December 31, 2017, the full \$150.0 million was available to be drawn. This loan agreement provides for revolving loans, subject to the terms of the loan agreement. The final maturity of this loan is September 2020. This loan requires monthly interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. The interest rate is the applicable LIBOR plus a margin between 1.38% and 1.50% depending on the amount outstanding. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants. There is a 0.30% fee charged for unused capacity.

Fleet Loans

Rental Truck Amortizing Loans

U-Haul International, Inc. and several of its subsidiaries are borrowers under amortizing term loans. The aggregate balance of the loans as of December 31, 2017 was \$322.5 million with the final maturities between June 2018 and November 2024.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The amortizing loans require monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. These loans were used to purchase new trucks. The interest rates, per the provision of the loan agreements, are the applicable LIBOR plus the applicable margins. At December 31, 2017, the applicable LIBOR was between 1.36% and 1.48% and applicable margins were between 1.72% and 2.38%. The interest rates are hedged with interest rate swaps fixing the rates between 2.82% and 4.76% based on current margins. Additionally, \$265.7 million of these loans are carried at fixed rates ranging between 1.95% and 3.94%.

AMERCO and, in some cases, U-Haul International, Inc. are guarantors of these loans. The default provisions of these loans include non-payment of principal or interest and other standard reporting and change-in-control covenants.

Rental Truck Securitizations

2010 U-Haul S Fleet and its subsidiaries (collectively, "2010 USF") issued a \$155.0 million asset-backed note ("2010 Box Truck Note"). 2010 USF is a bankruptcy-remote special purpose entity wholly-owned by U-Haul International, Inc. The net proceeds from the securitized transaction were used to finance new box truck purchases. U.S. Bank, NA acted as the trustee for this securitization. The 2010 Box Truck Note had a fixed interest rate of 4.90% and in October 2017 the note was repaid in full.

Rental Truck Revolvers

Various subsidiaries of U-Haul International, Inc. entered into three revolving fleet loans in aggregate for \$490.0 million, which can be increased to a maximum of \$565.0 million. These loans mature between March 2020 and November 2021. The interest rate, per the provision of the loan agreements, is the applicable LIBOR plus the applicable margin. At December 31, 2017, the applicable LIBOR was between 1.35% and 1.36% and the margin was 1.15%, the sum of which was between 2.50% and 2.51%. Only interest is paid on the loans until the last nine months when principal is due monthly. As of December 31, 2017, the outstanding balance of the loans was \$477.0 million.

Capital Leases

We regularly enter into capital leases for new equipment with the terms of the leases between five and seven years. During the first nine months of fiscal 2018, we entered into \$323.7 million of new capital leases. At December 31, 2017 and March 31, 2017, the balance of our capital leases was \$982.7 million and \$876.8 million, respectively. The net book value of the corresponding capitalized assets was \$1,382.5 million and \$1,233.3 million at December 31, 2017 and March 31, 2017, respectively.

Other Obligations

In February 2011, AMERCO and U.S. Bank, NA (the "Trustee") entered into the U-Haul Investors Club® Indenture. AMERCO and the Trustee entered into this indenture to provide for the issuance of notes by us directly to investors over our proprietary website, uhaulinvestorsclub.com ("U-Notes®"). The U-Notes® are secured by various types of collateral including, but not limited to, rental equipment and real estate. U-Notes® are issued in smaller series that vary as to principal amount, interest rate and maturity. U-Notes® are obligations of the Company and secured by the associated collateral; they are not guaranteed by any of the Company's affiliates or subsidiaries.

At December 31, 2017, the aggregate outstanding principal balance of the U-Notes® issued was \$76.7 million of which \$3.9 million is held by our insurance subsidiaries and eliminated in consolidation. Interest rates range between

2.75% and 8.00% and maturity dates range between 2018 and 2047.

Oxford is a member of the Federal Home Loan Bank (“FHLB”) and, as such, the FHLB has made deposits with Oxford. As of September 30, 2017, the four deposits had an aggregate balance of \$60.0 million, for which Oxford pays fixed interest rates between 1.33% and 1.75% with maturities between March 29, 2018 and March 30, 2022. As of September 30, 2017, available-for-sale investments held with the FHLB totaled \$129.6 million, of which \$73.4 million were pledged as collateral to secure the outstanding deposits. The balances of these deposits are included within Liabilities from investment contracts on the consolidated balance sheet.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Annual Maturities of Notes, Loans and Leases Payable

The annual maturities of long-term debt, including capital leases and excluding debt issuance costs, as of December 31, 2017 for the next five years and thereafter are as follows:

	Twelve Months Ending December 31,					Thereafter
	2018	2019	2020	2021	2022	
	(Unaudited)					
	(In thousands)					
Notes, loans and leases payable, secured	\$496,383	\$482,569	\$362,073	\$564,235	\$226,771	\$1,387,947
Interest on Borrowings						

Interest Expense

Components of interest expense include the following:

	Quarter Ended	
	December 31,	December 31,
	2017	2016
	(Unaudited)	
	(In thousands)	
Interest expense	\$31,983	\$27,220
Capitalized interest	(2,075)	(1,119)
Amortization of transaction costs	963	863
Interest expense resulting from derivatives	687	1,818
Total interest expense	31,558	28,782
Amortization on early extinguishment of debt	–	499
Total	31,558	29,281

	Nine Months	
	Ended	Ended
	December 31,	December 31,
	2017	2016
	(Unaudited)	
	(In thousands)	
Interest expense	\$93,475	\$77,184
Capitalized interest	(5,769)	(3,417)
Amortization of transaction costs	2,909	2,510
Interest expense resulting from derivatives	3,311	6,920
Total interest expense	93,926	83,197
Amortization on early extinguishment of debt	–	499
Total	93,926	83,696

Interest paid in cash, including payments related to derivative contracts, amounted to \$32.7 million and \$28.7 million for the third quarter of fiscal 2018 and 2017, respectively and \$96.1 million and \$84.0 million for the first nine months of fiscal 2018 and 2017, respectively.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Interest Rates

Interest rates and Company borrowings were as follows:

	Revolving Credit Activity Quarter Ended December 31, 2017 2016 (Unaudited) (In thousands, except interest rates)	
Weighted average interest rate during the quarter	2.47%	1.82%
Interest rate at the end of the quarter	2.56%	1.89%
Maximum amount outstanding during the quarter	\$535,000	\$597,000
Average amount outstanding during the quarter	\$532,261	\$550,304
Facility fees	\$159	\$10

	Revolving Credit Activity Nine Months Ended December 31, 2017 2016 (Unaudited) (In thousands, except interest rates)	
Weighted average interest rate during the period	2.38%	1.76%
Interest rate at the end of the period	2.56%	1.89%
Maximum amount outstanding during the period	\$538,000	\$597,000
Average amount outstanding during the period	\$516,349	\$450,880
Facility fees	\$284	\$99

5. Derivatives

We manage exposure to changes in market interest rates. Our use of derivative instruments is limited to highly effective interest rate swaps to hedge the risk of changes in cash flows (future interest payments) attributable to changes in LIBOR swap rates, the designated benchmark interest rate being hedged on certain of our LIBOR indexed variable rate debt and a variable rate operating lease. The interest rate swaps effectively fix our interest payments on certain LIBOR indexed variable rate debt. We monitor our positions and the credit ratings of our counterparties and do not currently anticipate non-performance by the counterparties. Interest rate swap agreements are not entered into for trading purposes.

Agreement Date Effective Date Expiration Date Designated cash flow hedge date

Original variable rate debt amount (Unaudited) (In millions)					
\$300.0		8/16/2006	8/18/2006	8/10/2018	8/4/2006
25.0	(a)	4/26/2011	6/1/2011	6/1/2018	6/1/2011
50.0	(a)	7/29/2011	8/15/2011	8/15/2018	7/29/2011
20.0	(a)	8/3/2011	9/12/2011	9/10/2018	8/3/2011
15.1	(b)	3/27/2012	3/28/2012	3/28/2019	3/26/2012
25.0		4/13/2012	4/16/2012	4/1/2019	4/12/2012
44.3		1/11/2013	1/15/2013	12/15/2019	1/11/2013

(a) forward swap

(b) operating lease

As of December 31, 2017, the total notional amount of our variable interest rate swaps on debt and an operating lease was \$120.3 million and \$6.6 million, respectively.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The derivative fair values located in Accounts payable and accrued expenses in the balance sheets were as follows:

	Liability Derivatives Fair Values as of	
	December 31, 2017	March 31, 2017
	(Unaudited)	
	(In thousands)	
Interest rate contracts designated as hedging instruments	\$1,253	\$4,903

	The Effect of Interest Rate Contracts on the Statements of Operations for the Nine Months Ended	
	December 31, 2017	December 31, 2016
	(Unaudited)	
	(In thousands)	
Loss recognized in income on interest rate contracts	\$3,311	\$6,920
Gain recognized in AOCI on interest rate contracts (effective portion)	\$(3,655)	\$(8,039)
Loss reclassified from AOCI into income (effective portion)	\$3,308	\$6,940
(Gain) loss recognized in income on interest rate contracts (ineffective portion and amount excluded from effectiveness testing)	\$3	\$(20)

Gains or losses recognized in income on derivatives are recorded as interest expense in the statements of operations. During the first nine months of fiscal 2018, we recognized a net increase in the fair value of our cash flow hedges of \$2.3 million, net of taxes. Embedded in this change was \$3.3 million of losses reclassified from accumulated other comprehensive income to interest expense during the first nine months of fiscal 2018. At December 31, 2017, we expect to reclassify \$1.5 million of net losses on interest rate contracts from accumulated other comprehensive income to earnings as interest expense over the next twelve months.

6. Accumulated Other Comprehensive Income (Loss)

A summary of accumulated other comprehensive income (loss) components, net of tax, were as follows:

	Foreign Currency Translation (Unaudited) (In thousands)	Unrealized Net Gain on Investments	Fair Market Value of Cash Flow Hedges	Postretirement Benefit Obligation Net Loss	Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2017	\$(69,505)	\$23,099	\$(3,059)	\$(1,771)	\$(51,236)
Foreign currency translation	19,240	—	—	—	19,240
Unrealized net gain on investments	—	19,820	—	—	19,820
	—	—	5,573	—	5,573

Change in fair value of cash flow hedges Amounts reclassified from AOCI	–	–	(3,308)	–	(3,308)
Other comprehensive income (loss)	19,240	19,820	2,265	–	41,325
Balance at December 31, 2017	\$(50,265)	\$42,919	\$(794)	\$(1,771)	\$(9,911)
7. Stockholders' Equity					

On July 5, 2017, we declared a cash dividend on our Common Stock of \$1.00 per share to holders of record on July 20, 2017. The dividend was paid on August 3, 2017.

On December 6, 2017, we declared a cash dividend on our Common Stock of \$0.50 per share to holders of record on December 21, 2017. The dividend was paid on January 5, 2018.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

On June 8, 2016, the stockholder's approved the 2016 AMERCO Stock Option Plan (Shelf Stock Option Plan). As of December 31, 2017, no awards had been issued under this plan.

8. Income Taxes

The 2017 Tax Reform Act (the "Tax Reform Act") was enacted on December 22, 2017. The Tax Reform Act reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. A 31.55% Federal Tax Rate will apply to earnings for the full 2018 fiscal year. Accordingly, first and second quarter income previously subject to tax at the 35% Federal Tax Rate will benefit from the 31.55% Federal Tax Rate. At December 31, 2017, we have not completed our accounting for the tax effects of enactment of the Tax Reform Act; however, we have made a reasonable estimate of the effects of all items affected by the Tax Reform Act. For these items, we recognized a provisional benefit amount of \$339.2 million, which is included as a component of income tax expense from continuing operations.

Provisional amounts:

We re-measured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. However, we are still analyzing certain aspects of the Tax Reform Act and refining our calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. The provisional amount recorded related to the re-measurement of our deferred tax balance was \$349.2 million.

Foreign tax effects:

The one-time transition tax is based on our total post-1986 earnings and profits ("E&P") from our Canadian subsidiaries that we previously deferred from U.S. income taxes. We recorded a provisional amount for our one-time transition tax liability for our foreign subsidiaries, resulting in an increase in income tax expense of \$10.0 million. We have not yet completed our calculation of the total post-1986 E&P for these foreign subsidiaries. Further, the transition tax is based in part on the amount of those earnings held in cash and other specified assets. This amount may change when we finalize the calculation of post-1986 foreign E&P previously deferred from U.S. federal taxation and finalize the amounts held in cash or other specified assets. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax, or any additional outside basis difference inherent in these entities, as these amounts continue to be indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in these entities (i.e., basis difference in excess of that subject to the one-time transition tax) is not practicable.

Insurance Companies:

Our insurance companies are included in this financial statement at a one quarter lag, meaning the nine month period ended September 30, 2017. As such, the effects of the Tax Reform Act on Repwest and Oxford are not recognized in these financial statements as presented. If the effects of the Tax Reform Act were applied to our Insurance Company balances as presented, the result would have been as follows:

With regard to Oxford; we estimate a provisional tax benefit of \$5.1 million, which would be a component of income tax expense from continuing operations. The Financial Accounting Standards Board (“FASB”) is still reviewing the treatment of certain deferred tax accounts which could change the ultimate presentation of where these amounts are recorded.

We estimated the re-measured deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. The provisional amount resulting from the re-measurement of the deferred tax liability balance would be a reduction in tax expense of about \$9.1 million. In addition, the Tax Reform Act repeals the special rules with regard to distribution to shareholders from pre-1984 policyholders surplus account. The one-time tax was based on the balance of our pre-1984 policyholder surplus account. We estimated a provisional amount for our one-time tax liability for Phase Three Tax, resulting in a increase in income tax expense of \$4.0 million.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

With regard to Repwest; we estimate a provisional tax benefit of \$5.4 million, which would be a component of income tax expense from continuing operations. This provisional amount would result from the re-measurement of the deferred tax liability balance. We estimated the re-measured deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%.

9. Contingent Liabilities and Commitments

We lease a portion of our rental equipment and certain of our facilities under operating leases with terms that expire at various dates substantially through 2019. As of December 31, 2017, we have guaranteed \$16.2 million of residual values for these rental equipment assets at the end of the respective lease terms. Certain leases contain renewal and fair market value purchase options as well as mileage and other restrictions. At the expiration of the lease, we have the option to renew the lease, purchase the asset for fair market value, or sell the asset to a third party on behalf of the lessor. We have been leasing equipment since 1987 and have experienced no material losses relating to these types of residual value guarantees.

Operating and ground lease commitments for leases having terms of more than one year were as follows:

	Property, Plant and Equipment		Rental Equipment	
	Ground (Unaudited)	Operating (Unaudited)	Operating	Total
Year-ended December 31:				
2018	\$974	\$16,150	\$9,927	\$27,051
2019	1,024	15,652	3,086	19,762
2020	1,024	15,664	–	16,688
2021	1,028	14,977	–	16,005
2022	1,030	14,779	–	15,809
Thereafter	49,907	23,329	–	73,236
Total	\$54,987	\$100,551	\$13,013	\$168,551

10. Contingencies

Environmental

Compliance with environmental requirements of federal, state and local governments may significantly affect Real Estate's business operations. Among other things, these requirements regulate the discharge of materials into the air, land and water and govern the use and disposal of hazardous substances. Real Estate is aware of issues regarding hazardous substances on some of its properties. Real Estate regularly makes capital and operating expenditures to stay in compliance with environmental laws and has put in place a remedial plan at each site where it believes such a plan is necessary. Since 1988, Real Estate has managed a testing and removal program for underground storage tanks.

Based upon the information currently available to Real Estate, compliance with the environmental laws and its share of the costs of investigation and cleanup of known hazardous waste sites are not expected to result in a material adverse effect on AMERCO's financial position or results of operations.

Other

We are named as a defendant in various other litigation and claims arising out of the normal course of business. In management's opinion, none of these other matters will have a material effect on our financial position and results of operations.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

11. Related Party Transactions

As set forth in the Company's Audit Committee Charter and consistent with NASDAQ Listing Rules, our Audit Committee (the "Audit Committee") reviews and maintains oversight over related party transactions which are required to be disclosed under the Securities and Exchange Commission ("SEC") rules and regulations and in accordance with generally accepted accounting principles ("GAAP"). Accordingly, all such related party transactions are submitted to the Audit Committee for ongoing review and oversight. Our internal processes are designed to ensure that our legal and finance departments identify and monitor potential related party transactions that may require disclosure and Audit Committee oversight.

AMERCO has engaged in related party transactions and has continuing related party interests with certain major stockholders, directors and officers of the consolidated group as disclosed below. Management believes that the transactions described below and in the related notes were completed on terms substantially equivalent to those that would prevail in arm's-length transactions.

SAC Holding Corporation and SAC Holding II Corporation (collectively "SAC Holdings") were established in order to acquire and develop self-storage properties. These properties are being managed by us pursuant to management agreements. In the past, we sold real estate and various self-storage properties to SAC Holdings, and such sales provided significant cash flows to us. SAC Holdings, Four SAC Self-Storage Corporation ("4 SAC"), Five SAC Self-Storage Corporation ("5 SAC"), Galaxy Investments, L.P. ("Galaxy") and Private Mini Storage Realty, L.P. ("Private Mini") are substantially controlled by Blackwater Investments, Inc. ("Blackwater"). Blackwater is wholly-owned by Willow Grove Holdings LP, which is owned by Mark V. Shoen (a significant shareholder), and various trusts associated with Edward J. Shoen (our Chairman of the Board, President and a significant shareholder) and Mark V. Shoen.

Related Party Revenue

	Quarter Ended December 31, 2017 2016 (Unaudited) (In thousands)	
U-Haul interest income revenue from Blackwater	\$908	\$1,226
U-Haul management fee revenue from Blackwater	5,661	5,562
U-Haul management fee revenue from Mercury	4,220	4,172
	\$10,789	\$10,960

	Nine Months Ended December 31, 2017 2016 (Unaudited) (In thousands)	
U-Haul interest income revenue from Blackwater	\$3,326	\$3,681
U-Haul management fee revenue from Blackwater	18,054	17,702

U-Haul management fee revenue from Mercury	5,420	5,348
	\$26,800	\$26,731

During the first nine months of fiscal 2018, a subsidiary of ours held a junior unsecured note from SAC Holding Corporation. We do not have an equity ownership interest in SAC Holding Corporation. We received cash interest payments of \$8.7 million and \$3.4 million from SAC Holding Corporation during the first nine months of fiscal 2018 and 2017, respectively. The largest aggregate amount of note receivable outstanding during the first nine months of fiscal 2018 was \$48.1 million. In December 2017, this note and interest receivables were repaid in full as we received payments of \$53.0 million.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

We currently manage the self-storage properties owned or leased by Blackwater and Mercury Partners, L.P. (“Mercury”), pursuant to a standard form of management agreement, under which we receive a management fee of between 4% and 10% of the gross receipts plus reimbursement for certain expenses. We received cash payments for management fees, exclusive of reimbursed expenses, of \$23.3 million and \$21.8 million from the above mentioned entities during the first nine months of fiscal 2018 and 2017, respectively. This management fee is consistent with the fee received for other properties we previously managed for third parties. Mark V. Shoen controls the general partner of Mercury. The limited partner interests of Mercury are indirectly owned by Mark V. Shoen, James P. Shoen (a significant shareholder) and a trust benefitting the children and grandchildren of Edward J. Shoen.

Related Party Costs and Expenses

	Quarter Ended December 31, 2017 2016 (Unaudited) (In thousands)	
U-Haul lease expenses to Blackwater	\$658	\$684
U-Haul commission expenses to Blackwater	13,433	12,983
	\$14,091	\$13,667

	Nine Months Ended December 31, 2017 2016 (Unaudited) (In thousands)	
U-Haul lease expenses to Blackwater	\$2,014	\$2,056
U-Haul commission expenses to Blackwater	46,875	45,864
	\$48,889	\$47,920

We lease space for marketing company offices, vehicle repair shops and hitch installation centers from subsidiaries of Blackwater. The terms of the leases are similar to the terms of leases for other properties owned by unrelated parties that are leased to us.

At December 31, 2017, subsidiaries of Blackwater acted as U-Haul independent dealers. The financial and other terms of the dealership contracts with the aforementioned companies and their subsidiaries are substantially identical to the terms of those with our other independent dealers whereby commissions are paid by us based upon equipment rental revenues.

These agreements and note with subsidiaries of Blackwater, excluding Dealer Agreements, provided revenues of \$21.4 million, expenses of \$2.0 million and cash flows of \$72.9 million during the first nine months of fiscal 2018. Revenues and commission expenses related to the Dealer Agreements were \$218.6 million and \$46.9 million, respectively during the first nine months of fiscal 2018.

Pursuant to the variable interest entity (“VIE”) model under Accounting Standards Codification (“ASC”) 810 – Consolidation (“ASC 810”), management determined that the management agreements with subsidiaries of Blackwater

represents potential variable interests for us. Management evaluated whether it should be identified as the primary beneficiary of one or more of these VIEs using a two-step approach in which management (i) identified all other parties that hold interests in the VIEs, and (ii) determined if any variable interest holder has the power to direct the activities of the VIEs that most significantly impact their economic performance.

Management determined that we do not have a variable interest in the holding entities of Blackwater based upon management agreements which are with the individual operating entities; therefore, we are precluded from consolidating these entities.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

We do not have the power to direct the activities that most significantly impact the economic performance of the individual operating entities which have management agreements with U-Haul. There are no fees or penalties disclosed in the management agreement for termination of the agreement. Through control of the holding entities' assets, and its ability and history of making key decisions relating to the entity and its assets, Blackwater, and its owner, are the variable interest holder with the power to direct the activities that most significantly impact each of the individual holding entities and the individual operating entities' performance. As a result, we have no basis under ASC 810 to consolidate these entities.

We have not provided financial or other support explicitly or implicitly during the quarter ended December 31, 2017 to any of these entities that we were not previously contractually required to provide. In addition, we currently have no plan to provide any financial support to any of these entities in the future. The carrying amount and classification of the assets and liabilities in our balance sheets that relate to our variable interests in the aforementioned entities are as follows, which approximate the maximum exposure to loss as a result of our involvement with these entities:

Related Party Assets

	December 31, 2017	March 31, 2017
	(Unaudited)	
	(In thousands)	
U-Haul notes receivable from Blackwater	–	48,098
U-Haul interest receivable from Blackwater	–	5,397
U-Haul receivable from Blackwater	31,915	23,202
U-Haul receivable from Mercury	9,273	9,195
Other (a)	1,721	276
	\$42,909	\$86,168

(a) Timing differences for intercompany balances with insurance subsidiaries resulting from the three month difference in reporting periods.

12. Consolidating Financial Information by Industry Segment

AMERCO's three reportable segments are:

- Moving and Storage, comprised of AMERCO, U-Haul, and Real Estate and the subsidiaries of U-Haul and Real Estate,
- Property and Casualty Insurance, comprised of Repwest and its subsidiaries and ARCOA, and
- Life Insurance, comprised of Oxford and its subsidiaries.

Management tracks revenues separately, but does not report any separate measure of the profitability for rental vehicles, rentals of self-storage spaces and sales of products that are required to be classified as a separate operating segment and accordingly does not present these as separate reportable segments. Deferred income taxes are shown as liabilities on the condensed consolidating statements.

The information includes elimination entries necessary to consolidate AMERCO, the parent, with its subsidiaries.

Investments in subsidiaries are accounted for by the parent using the equity method of accounting.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

12. Financial Information by Consolidating Industry Segment:

Consolidating balance sheets by industry segment as of December 31, 2017 are as follows:

Moving & Storage	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	AMERCO Consolidated
Consolidated (Unaudited) (In thousands)				