

U-HAUL HOLDING CO /NV/

FORM 10-Q (Quarterly Report)

Filed 02/05/20 for the Period Ending 12/31/19

Address	5555 KIETZKE LANE STE 100 RENO, NV, 89511
Telephone	7756886300
CIK	0000004457
Symbol	UHAL
SIC Code	7510 - Services-Auto Rental and Leasing (No Drivers)
Industry	Ground Freight & Logistics
Sector	Industrials
Fiscal Year	03/31

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, 2019

or

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

For the transition period from _____ to _____

**Commission
File Number**

**Registrant, State of Incorporation,
Address and Telephone Number**

**I.R.S. Employer
Identification No.**

AMERCO

001-11255

AMERCO

88-0106815

(A Nevada Corporation)

5555 Kietzke Lane Suite 100

Reno NV 89511

Telephone 775 688-6300

N/A

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock , \$0.25 par value	UHAL	NASDAQ Global Select Market

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, every Interactive Data File required to be submitted 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 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 filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer 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.

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 January 31, 2020.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

AMERCO AND CONSOLIDATED SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2019	March 31, 2019
	(Unaudited)	
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	\$ 631,951	\$ 673,701
Reinsurance recoverables and trade receivables, net	200,164	224,785
Inventories and parts, net	103,003	103,504
Prepaid expenses	188,780	174,100
Investments, fixed maturities and marketable equities	2,469,468	2,235,397
Investments, other	336,727	300,736
Deferred policy acquisition costs, net	106,354	136,276
Other assets	71,821	78,354
Right of use assets - financing, net	1,130,473	-
Right of use assets - operating	107,974	-
Related party assets	47,988	30,889
	<u>5,394,703</u>	<u>3,957,742</u>
Property, plant and equipment, at cost:		
Land	1,018,010	976,454
Buildings and improvements	4,522,855	4,003,726
Furniture and equipment	733,063	689,780
Rental trailers and other rental equipment	511,872	590,039
Rental trucks	3,454,759	4,762,028

	10,240,559	11,022,027
Less: Accumulated depreciation	<u>(2,640,940)</u>	<u>(3,088,056)</u>
Total property, plant and equipment, net	7,599,619	7,933,971
Total assets	<u>\$ 12,994,322</u>	<u>\$ 11,891,713</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:		
Accounts payable and accrued expenses	\$ 551,770	\$ 556,873
Notes, loans and finance/capital leases payable, net	4,548,609	4,163,323
Operating lease liability	107,581	-
Policy benefits and losses, claims and loss expenses payable	1,015,663	1,011,183
Liabilities from investment contracts	1,753,428	1,666,742
Other policyholders' funds and liabilities	12,924	15,047
Deferred income	31,459	35,186
Deferred income taxes, net	<u>869,671</u>	<u>750,970</u>
Total liabilities	<u>8,891,105</u>	<u>8,199,324</u>

Commitments and contingencies (notes 4, 8 and 9)

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, 2019		
Series B preferred stock, with no par value, 100,000 shares authorized; none		
issued and outstanding as of December 31 and March 31, 2019		
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, 2019		
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, 2019	10,497	10,497
Additional paid-in capital	453,819	453,326
Accumulated other comprehensive income (loss)	39,517	(66,698)
Retained earnings	4,277,034	3,976,962
Cost of common stock in treasury, net (22,377,912 shares as of December 31 and March 31, 2019)	(525,653)	(525,653)
Cost of preferred stock in treasury, net (6,100,000 shares as of December 31 and March 31, 2019)	(151,997)	(151,997)
Unearned employee stock ownership plan shares	-	(4,048)
Total stockholders' equity	<u>4,103,217</u>	<u>3,692,389</u>
Total liabilities and stockholders' equity	<u>\$ 12,994,322</u>	<u>\$ 11,891,713</u>

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

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**AMERCO AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	<u>Quarter Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	\$ 621,471	\$ 626,136
Self-storage revenues	106,701	93,392
Self-moving and self-storage products and service sales	54,454	55,665
Property management fees	9,098	7,899
Life insurance premiums	31,164	34,778
Property and casualty insurance premiums	19,267	17,668
Net investment and interest income	33,782	32,211
Other revenue	51,943	51,342
Total revenues	<u>927,880</u>	<u>919,091</u>
Costs and expenses:		
Operating expenses	517,453	478,461
Commission expenses	66,542	67,493
Cost of sales	35,318	34,149
Benefits and losses	42,864	42,869
Amortization of deferred policy acquisition costs	8,046	6,654
Lease expense	6,490	7,890
Depreciation, net of (gains)/losses on disposal of (\$2,151 and (\$796), respectively)	170,074	143,473
Net losses on disposal of real estate	528	-
Total costs and expenses	<u>847,315</u>	<u>780,989</u>
Earnings from operations	80,565	138,102
Other components of net periodic benefit costs	(263)	(253)
Interest expense	(39,973)	(34,827)
Pretax earnings	40,329	103,022
Income tax expense	(9,397)	(24,387)
Earnings available to common stockholders	<u>\$ 30,932</u>	<u>\$ 78,635</u>
Basic and diluted earnings per common stock	<u>\$ 1.58</u>	<u>\$ 4.01</u>
Weighted average common stock outstanding: Basic and diluted	<u>19,607,788</u>	<u>19,591,963</u>

Related party revenues for the third quarter of fiscal 2020 and 2019, net of eliminations, were \$ 9.1 million and \$ 7.9 million, respectively.

Related party costs and expenses for the third quarter of fiscal 2020 and 2019, net of eliminations, were \$ 14.8 million and \$ 15.0 million, respectively.

Please see Note 10, 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.

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**AMERCO AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	Nine Months Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	\$ 2,174,392	\$ 2,124,451
Self-storage revenues	309,940	271,097
Self-moving and self-storage products and service sales	207,601	207,819
Property management fees	23,487	22,507
Life insurance premiums	96,229	107,586
Property and casualty insurance premiums	51,056	46,732
Net investment and interest income	102,629	85,043
Other revenue	192,009	177,940
Total revenues	3,157,343	3,043,175
Costs and expenses:		
Operating expenses	1,617,338	1,504,365
Commission expenses	233,540	232,084
Cost of sales	128,177	130,432
Benefits and losses	137,695	137,196
Amortization of deferred policy acquisition costs	20,625	18,584
Lease expense	19,882	24,229
Depreciation, net of gains on disposal of (\$32,526 and \$29,127, respectively)	462,227	402,525
Net (gains) losses on disposal of real estate	(1,311)	10
Total costs and expenses	2,618,173	2,449,425
Earnings from operations	539,170	593,750
Other components of net periodic benefit costs	(790)	(760)
Interest expense	(117,983)	(105,111)
Pretax earnings	420,397	487,879
Income tax expense	(100,717)	(117,853)
Earnings available to common stockholders	\$ 319,680	\$ 370,026
Basic and diluted earnings per common stock	\$ 16.31	\$ 18.89
Weighted average common stock outstanding: Basic and diluted	19,602,484	19,591,282

Related party revenues for the first nine months of fiscal 2020 and 2019, net of eliminations, were \$ 23.5 million and \$ 22.5 million, respectively.

Related party costs and expenses for the first nine months of fiscal 2020 and 2019, net of eliminations, were \$ 51.9 million and \$ 51.1 million, respectively.

Please see Note 10, 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.

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**AMERCO AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

Quarter Ended December 31, 2019	Pre-tax	Tax	Net
	(Unaudited)		
	(In thousands)		
Comprehensive income:			
Net earnings	\$ 40,329	\$ (9,397)	\$ 30,932
Other comprehensive income (loss):			
Foreign currency translation	(692)	—	(692)
Unrealized net gain on investments	28,568	(6,190)	22,378
Change in fair value of cash flow hedges	479	(118)	361
Amounts reclassified into earnings on hedging activities	422	(103)	319
Total comprehensive income	\$ 69,106	\$ (15,808)	\$ 53,298

Quarter Ended December 31, 2018	Pre-tax	Tax	Net
	(Unaudited)		

(In thousands)

Comprehensive income:			
Net earnings	\$ 103,022	\$ (24,387)	\$ 78,635
Other comprehensive income (loss):			
Foreign currency translation	(4,101)		(4,101)
Unrealized net gain on investments	1,827	(384)	1,443
Change in fair value of cash flow hedges	(1,001)	246	57
Amounts reclassified into earnings on hedging activities	886	(218)	(144)
Total comprehensive income	<u>\$ 100,633</u>	<u>\$ (24,743)</u>	<u>\$ 75,890</u>

Nine Months Ended December 31, 2019

	<u>Pre-tax</u>	<u>Tax</u>	<u>Net</u>
		(Unaudited)	
		(In thousands)	
Comprehensive income:			
Net earnings	\$ 420,397	\$ (100,717)	\$ 319,680
Other comprehensive income (loss):			
Foreign currency translation	2,919		2,919
Unrealized net gain on investments	133,046	(28,575)	104,471
Change in fair value of cash flow hedges	(1,555)	382	(1,173)
Amounts reclassified into earnings on hedging activities	(3)	1	(2)
Total comprehensive income	<u>\$ 554,804</u>	<u>\$ (128,909)</u>	<u>\$ 425,895</u>

Nine Months Ended December 31, 2018

	<u>Pre-tax</u>	<u>Tax</u>	<u>Net</u>
		(Unaudited)	
		(In thousands)	
Comprehensive income:			
Net earnings	\$ 487,879	\$ (117,853)	\$ 370,026
Other comprehensive income (loss):			
Foreign currency translation	(5,081)		(5,081)
Unrealized net loss on investments	(70,671)	14,841	(55,830)
Change in fair value of cash flow hedges	700	(172)	528
Amounts reclassified into earnings on hedging activities	31	(8)	23
Total comprehensive income	<u>\$ 412,858</u>	<u>\$ (103,192)</u>	<u>\$ 309,666</u>

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

tax	-	-	528	-	-	-	-	528
Amounts reclassified into earnings on hedging activities	-	-	23	-	-	-	-	23
Adjustment for adoption of ASU 2016 - 01	-	-	(9,724)	9,724	-	-	-	-
Net earnings	-	-	-	370,026	-	-	-	370,026
Common stock dividends: (\$1.50 per share for fiscal 2019)	-	-	-	(29,384)	-	-	-	(29,384)
Net activity	-	370	(70,084)	350,366	-	-	2,680	283,332
Balance as of December 31, 2018	\$ 10,497	\$ 453,116	\$ (74,707)	\$ 3,985,927	\$ (525,653)	\$ (151,997)	\$ (5,143)	\$ 3,692,040

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

AMERCO AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands)	
Cash flows from operating activities:		
Net earnings	\$ 319,680	\$ 370,026
Adjustments to reconcile net earnings to cash provided by operations:		
Depreciation	494,753	431,652
Amortization of deferred policy acquisition costs	20,625	18,584
Amortization of premiums and accretion of discounts related to investments, net	9,848	9,802
Amortization of debt issuance costs	3,275	2,922
Interest credited to policyholders	38,169	28,540
Change in allowance for losses on trade receivables	(76)	124
Change in allowance for inventories and parts reserves	(85)	2,539
Net gains on disposal of personal property	(32,526)	(29,127)
Net (gains) losses on disposal of real estate	(1,311)	10
Net (gains) losses on sales of investments	(8,777)	(3,594)
Net (gains) losses on equity investments	(3,749)	4,289
Deferred income taxes	87,805	104,325
Net change in other operating assets and liabilities:		
Reinsurance recoverables and trade receivables	24,759	1,601
Inventories and parts	589	(8,858)
Prepaid expenses	(16,402)	(12,533)
Capitalization of deferred policy acquisition costs	(17,530)	(19,994)
Other assets	(293)	159,125
Related party assets	(17,507)	(1,838)
Accounts payable and accrued expenses	51,754	(14,231)
Policy benefits and losses, claims and loss expenses payable	3,974	(159,285)
Other policyholders' funds and liabilities	(2,123)	2,867
Deferred income	(2,317)	(4,982)
Related party liabilities	446	(3,269)
Net cash provided by operating activities	<u>952,981</u>	<u>878,695</u>
Cash flows from investing activities:		
Escrow deposits	7,153	(3,292)
Purchases of:		
Property, plant and equipment	(1,917,862)	(1,325,365)
Short term investments	(47,457)	(39,494)
Fixed maturities investments	(267,909)	(394,266)
Equity securities	(83)	(957)
Preferred stock	-	(81)
Real estate	(484)	(505)
Mortgage loans	(43,085)	(56,892)
Proceeds from sales and paydowns of:		
Property, plant and equipment	599,797	561,848
Short term investments	46,859	47,012
Fixed maturities investments	193,196	82,776
Equity securities	185	8,608
Preferred stock	-	1,625
Real estate	311	-
Mortgage loans	9,052	116,800
Net cash used by investing activities	<u>(1,420,327)</u>	<u>(1,002,183)</u>
Cash flows from financing activities:		
Borrowings from credit facilities	867,862	693,132
Principal repayments on credit facilities	(225,332)	(255,123)
Payment of debt issuance costs	(3,671)	(5,097)
Finance/capital lease payments	(247,188)	(236,683)
Employee stock ownership plan stock	(206)	(203)
Common stock dividends paid	(19,600)	(29,385)
Investment contract deposits	171,465	300,920
Investment contract withdrawals	(122,948)	(109,641)
Net cash provided by financing activities	<u>420,382</u>	<u>357,920</u>
Effects of exchange rate on cash	5,214	(9,435)
Increase (decrease) in cash and cash equivalents	(41,750)	224,997
Cash and cash equivalents at the beginning of period	673,701	759,388
Cash and cash equivalents at the end of period	<u>\$ 631,951</u>	<u>\$ 984,385</u>

The accompanying notes are an integral part of these 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 material events, if any, occurring during the intervening period. Consequently, all references to our insurance subsidiaries' years 2019 and 2018 correspond to fiscal 2020 and 2019 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, 2019 and the related condensed consolidated statements of operations, comprehensive income (loss), stockholders' equity for the third quarter and first nine months of fiscal 2020 and 2019 and cash flows for the first nine months of fiscal 2020 and 2019 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, 2019.

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 (3) 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.

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

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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 15,559 as of December 31, 2018. As of December 31, 2019, all of these shares have been released.

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 \$ 30.9 million and \$ 30.8 million as of December 31, 2019 and March 31, 2019, respectively.

Available-for-Sale Investments

Available-for-sale investments as of December 31, 2019 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
			(Unaudited)		
			(In thousands)		
U.S. treasury securities and government obligations	\$ 112,784	\$ 9,370	\$ (3)	\$ -	122,151
U.S. government agency mortgage-backed securities	39,146	887	(2)	-	40,031
Obligations of states and political subdivisions	292,619	23,669	(134)	(45)	316,109
Corporate securities	1,699,751	102,544	(1,133)	(528)	1,800,634
Mortgage-backed securities	153,880	7,602	(1)	(2)	161,479
Redeemable preferred stocks	1,493	82	-	-	1,575
	<u>\$ 2,299,673</u>	<u>\$ 144,154</u>	<u>\$ (1,273)</u>	<u>\$ (575)</u>	<u>2,441,979</u>

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Available-for-sale investments as of March 31, 2019 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	\$ 136,010	\$ 2,409	\$ (2,104)	\$ (447)	\$ 135,868
U.S. government agency mortgage-backed securities	31,101	433	(146)	(19)	31,369
Obligations of states and political subdivisions	298,955	8,079	(233)	(905)	305,896
Corporate securities	1,613,199	14,777	(14,257)	(24,986)	1,588,733
Mortgage-backed securities	148,203	880	(285)	(903)	147,895
Redeemable preferred stocks	1,493	20	-	(45)	1,468
	<u>\$ 2,228,961</u>	<u>\$ 26,598</u>	<u>\$ (17,025)</u>	<u>\$ (27,305)</u>	<u>\$ 2,211,229</u>

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 \$ 187.9 million during the first nine months of fiscal 2020. The gross realized gains on these sales totaled \$ 4.6 million. The gross realized losses on these sales totaled \$ 0.2 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 them 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 in the third quarter or first nine months of fiscal 2020 or 2019.

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 any 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) ("AOCI") for the first nine months of fiscal 2020 and fiscal 2019, respectively.

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

	December 31, 2019		March 31, 2019	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
(Unaudited)				
(In thousands)				
Due in one year or less	\$ 114,557	\$ 115,001	\$ 71,987	\$ 71,954
Due after one year through five years	554,591	572,647	541,195	540,658
Due after five years through ten years	662,534	707,015	621,031	614,485
Due after ten years	812,618	884,262	845,052	834,769
	<u>2,144,300</u>	<u>2,278,925</u>	<u>2,079,265</u>	<u>2,061,866</u>
Mortgage-backed securities	153,880	161,479	148,203	147,895
Redeemable preferred stocks	1,493	1,575	1,493	1,468
	<u>\$ 2,299,673</u>	<u>\$ 2,441,979</u>	<u>\$ 2,228,961</u>	<u>\$ 2,211,229</u>

As of December 31, 2019 and March 31, 2019, our common stock and non-redeemable preferred stock that are included in Investments, fixed maturities and marketable equities on our balance sheet are stated in the table below. The changes in the fair value of these equity investments are recognized through Net investment and interest income.

Equity investments of common stock and non-redeemable preferred stock were as follows:

	December 31, 2019		March 31, 2019	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
(Unaudited)				
(In thousands)				

Common stocks	\$	9,775	\$	19,988	\$	10,123	\$	17,379
Non-redeemable preferred stocks		<u>7,451</u>		<u>7,501</u>		<u>7,451</u>		<u>6,789</u>
	\$	<u>17,226</u>	\$	<u>27,489</u>	\$	<u>17,574</u>	\$	<u>24,168</u>

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4. Borrowings

Long-Term Debt

Long-term debt was as follows:

	2020 Rates (a)		Maturities		December 31, 2019	March 31, 2019
					(Unaudited)	
					(In thousands)	
Real estate loan (amortizing term)		3.22 %		2023	\$ 95,413	\$ 102,913
Senior mortgages	3.36 %	- 6.62 %	2021	- 2038	1,953,704	1,741,652
Real estate loans (revolving credit)	3.03 %	- 3.20 %	2022	- 2024	435,000	429,400
Fleet loans (amortizing term)	1.95 %	- 4.66 %	2020	- 2027	231,043	263,209
Fleet loans (revolving credit)	2.84 %	- 2.86 %	2022	- 2024	585,000	530,000
Finance/capital leases (rental equipment)	1.92 %	- 5.04 %	2020	- 2026	795,465	1,042,652
Finance liability (rental equipment)	2.73 %	- 4.22 %	2024	- 2026	398,157	-
Other obligations	2.50 %	- 8.00 %	2020	- 2048	84,159	82,417
Notes, loans and finance/capital leases payable					4,577,941	4,192,243
Less: Debt issuance costs					(29,332)	(28,920)
Total notes, loans and finance/capital leases payable, net					\$ 4,548,609	\$ 4,163,323

(a) Interest rates as of December 31, 2019, including the effect of applicable hedging instruments.

Real Estate Backed Loans

Real Estate Loan

Real Estate and certain of its subsidiaries and U-Haul Company of Florida are borrowers under a real estate loan (the "Real Estate Loan"). 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 interest rate, per the provisions of the amended loan agreement, is the applicable London Inter-Bank Offer Rate ("LIBOR") plus the applicable margin. As of December 31, 2019, the applicable LIBOR was 1.72 % and the applicable margin was 1.50 %, the sum of which was 3.22 %. 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 Real Estate and U-Haul are borrowers under certain senior mortgages. 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 3.36 % 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. Real Estate and U-Haul 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.

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Real Estate Loans (Revolving Credit)

Various subsidiaries of Real Estate are borrowers under asset-backed real estate loans with an aggregate borrowing capacity of \$ 335.0 million. These loans are secured by certain properties owned by the borrowers. The loan agreements provide for term loans, subject to the terms of the loan agreements. The loans require 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 agreements, is the applicable LIBOR plus the applicable margin. As of December 31, 2019, the applicable LIBOR was 1.70 % and the margin was between 1.25 % and 1.50 %, the sum of which was between 2.95 % and 3.20 %. Certain loans have interest rate swaps fixing the rate between 3.03 % and 3.14 % based on current margins. AMERCO is the guarantor of these loans. 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 a real estate loan. The current maximum credit commitment is \$ 150.0 million, which can be increased to \$ 300.0 million by bringing in other lenders. As of December 31, 2019, the outstanding balance was \$100.0 million. This loan agreement provides for revolving loans, subject to the terms of the loan agreement. This loan requires monthly interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. As of December 31, 2019, the applicable LIBOR was 1.70 % and the margin was 1.38 %, the sum of which was 3.08 %. 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

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 carried at fixed rates ranging between 1.95 % and 4.66 %.

AMERCO, and in some cases U-Haul, is guarantor 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 Revolvers

Various subsidiaries of U-Haul entered into three revolving fleet loans with an aggregate borrowing capacity of \$ 590.0 million. The interest rates, per the provision of the loan agreements, are the applicable LIBOR plus the applicable margin. As of December 31, 2019, the applicable LIBOR was between 1.69 % and 1.71 %, and the margin was 1.15 %, the sum of which was between 2.84 % and 2.86 %. Only interest is paid on the loans until the last nine months of the respective loan terms when principal becomes due monthly.

Finance/Capital Leases

The Finance/Capital Lease balance represents our sale-leaseback transactions of rental equipment that were entered into and classified as capital leases prior to the adoption of ASC 842 on April 1, 2019. The historical capital lease balance was reclassified to Right-of-use assets-finance, net. The agreements are generally 7 year terms with interest rates ranging from 1.92 % to 5.04 %. All of our finance leases are collateralized by our rental fleet. There were no new financing leases, as assessed under the new leasing guidance, entered into during the nine months ended December 31, 2019.

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Finance Liabilities

Finance Liabilities represent our rental equipment financing transactions that have historically been accounted for as capital leases prior to the adoption of ASC 842 on April 1, 2019, which substantially changed the accounting for sale-leasebacks going forward. In accordance with the new leasing guidance, we assess if sale-leaseback transactions qualify as a sale at initiation by determining if a transfer of ownership occurs. We have determined that our equipment sale-leasebacks do not qualify as a sale, as the buyer-lessors do not obtain control of the assets in our ongoing sale-leaseback arrangements. As a result, we expect future sale-leasebacks to be accounted for as a financial liability and the leased assets will be capitalized at cost. Our finance liabilities have an average term of 7 years and interest rates ranging from 2.73 % to 4.22 %. These finance liabilities are collateralized by our rental fleet.

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.

As of December 31, 2019, the aggregate outstanding principal balance of the U-Notes[®] issued was \$ 87.0 million, of which \$ 2.9 million is held by our insurance subsidiaries and eliminated in consolidation. Interest rates range between 2.50 % and 8.00 % and maturity dates range between 2020 and 2048 .

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, 2019, the deposits had an aggregate balance of \$ 60.0 million, for which Oxford pays fixed interest rates between 1.72 % and 2.95 % with maturities between March 30, 2019 and September 30, 2022. As of September 30, 2019, available-for-sale investments held with the FHLB totaled \$ 120.1 million, of which \$ 67.9 million were pledged as collateral to secure the outstanding deposits. The balances of these deposits are included within Liabilities from investment contracts on the condensed consolidated balance sheets.

Annual Maturities of Notes, Loans and Finance/Capital Leases Payable

The annual maturities of our notes, loans and finance/capital leases payable, as of December 31, 2019 for the next five years and thereafter are as follows:

	Year Ending December 31,				
	2020	2021	2022	2023	2024
	(Unaudited)				
	(In thousands)				

Notes, loans and finance/capital leases payable, secured

\$	483,060	\$	446,465	\$	995,089	\$	596,752	\$	586,102	\$	1,470,473
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Interest on Borrowings

Interest Expense

Components of interest expense were as follows:

	Quarter Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands)	
Interest expense	\$ 45,037	\$ 38,825
Capitalized interest	(5,775)	(5,055)
Amortization of transaction costs	1,176	909
Interest expense effect resulting from cash flow hedges	(465)	148
Total interest expense	\$ 39,973	\$ 34,827

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	Nine Months Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands)	
Interest expense	\$ 133,111	\$ 109,241
Capitalized interest	(17,943)	(7,701)
Amortization of transaction costs	3,276	2,751

Interest expense effect resulting from cash flow hedges	(461)	820
Total interest expense	<u>\$ 117,983</u>	<u>\$ 105,111</u>

Interest paid in cash, including payments related to derivative contracts, amounted to \$ 41.9 million and \$ 38.5 million for the third quarter of fiscal 2020 and 2019, respectively, and \$ 127.8 million and \$ 109.6 million for the first nine months of fiscal 2020 and 2019, respectively.

Interest Rates

Interest rates and Company borrowings were as follows:

	Revolving Credit Activity	
	Quarter Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands, except interest rates)	
Weighted average interest rate during the quarter	3.09 %	3.52 %
Interest rate at the end of the quarter	2.95 %	3.57 %
Maximum amount outstanding during the quarter	\$ 1,025,000	\$ 865,000
Average amount outstanding during the quarter	\$ 1,014,511	\$ 812,174
Facility fees	\$ 40	\$ 41

	Revolving Credit Activity	
	Nine Months Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands, except interest rates)	
Weighted average interest rate during the period	3.44 %	3.31 %
Interest rate at the end of the period	2.95 %	3.57 %
Maximum amount outstanding during the period	\$ 1,025,000	\$ 865,000
Average amount outstanding during the period	\$ 995,508	\$ 632,509
Facility fees	\$ 147	\$ 313

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 with 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.

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The derivative fair values reflected in prepaid expense and accounts payable and accrued expenses in the condensed consolidated balance sheet were as follows:

	Derivatives Fair Values as of	
	December 31, 2019	March 31, 2019
	(Unaudited)	
	(In thousands)	
Interest rate contracts designated as hedging instruments:		
Assets	\$ —	\$ 139
Liabilities	\$ 1,415	\$ —
Notional amount	\$ 235,000	\$ 22,792

	The Effect of Interest Rate Contracts on the	
	Statements of Operations for the Quarters Ended	
	December 31, 2019	December 31, 2018
	(Unaudited)	
	(In thousands)	
(Gain) loss recognized in AOCI on interest rate contracts	\$ 1,558	\$ (731)
(Gain) loss reclassified from AOCI into income	\$ (458)	\$ 789

Gains or losses recognized in income on derivatives are recorded as interest expense in the condensed consolidated statements of operations. During the first nine months of fiscal 2020, we recognized a decrease in the fair value of our cash flow hedges of \$ 1.2 million, net of taxes. During the first nine months of fiscal 2020, we reclassified \$ 0.5 million from accumulated other comprehensive income (loss) ("AOCI") to interest expense. As of December 31, 2019, we expect to reclassify \$ 0.1 million of net gains on interest rate contracts from AOCI to earnings as interest expense over the next twelve months.

6. Accumulated Other Comprehensive Income (Loss)

A summary of AOCI components, net of tax, were as follows:

	Foreign Currency Translation	Unrealized Net Gain on Investments	Fair Market Value of Cash Flow Hedges	Postretirement Benefit Obligation Net Loss	Accumulated Other Comprehensive Income (Loss)
(Unaudited)					
(In thousands)					
Balance as of March 31, 2019	\$ (56,612)	\$ (7,259)	\$ 107	\$ (2,934)	\$ (66,698)
Foreign currency translation	2,919	-	-	-	2,919
Unrealized net gain on investments	-	104,471	-	-	104,471
Change in fair value of cash flow hedges	-	-	(1,173)	-	(1,173)
Amounts reclassified into earnings on hedging activities	-	-	(2)	-	(2)
Other comprehensive income (loss)	2,919	104,471	(1,175)	-	106,215
Balance as of December 31, 2019	\$ (53,693)	\$ 97,212	\$ (1,068)	\$ (2,934)	\$ 39,517

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7. Stockholders' Equity

The dividends declared or paid during the first nine months of fiscal 2020 were as follows:

Common Stock Dividends				
Declared Date	Per Share Amount	Record Date	Dividend Date	
March 6, 2019	\$ 0.50	March 21, 2019	April 4, 2019	
August 22, 2019	0.50	September 9, 2019	September 23, 2019	
December 4, 2019	0.50	December 19, 2019	January 6, 2020	

On June 8, 2016, our stockholders' approved the 2016 AMERCO Stock Option Plan (Shelf Stock Option Plan). As of December 31, 2019, no awards had been issued under this plan.

8. Leases

Lessors

We have determined that revenues derived by providing self-moving equipment rentals, self-storage rentals and certain other revenues, including U-Box rentals, are within the scope of the accounting guidance contained in Topic 842. Our self-moving equipment rental related revenues have been accounted for under the revenue accounting standard Topic 606, until the adoption of Topic 842.

For the periods after April 1, 2019, we combined all lease and non-lease components of lease contracts for which the timing and pattern of transfer are the same and the lease component meets the classification of an operating lease, and account for them in accordance with Topic 842. The revenue streams accounted for in accordance with Topic 842 are recognized evenly over the period of rental. Please see Note 15, Revenue Recognition, of the Notes to Condensed Consolidated Financial Statements.

Lessee

We determine if an arrangement is a lease at inception. Operating leases, which are comprised primarily of storage rental locations, are included in Right-of-Use ("ROU") assets - operating and operating lease liability in our condensed consolidated balance sheet dated December 31, 2019. Finance leases, which are comprised primarily of rental equipment leases, are included in ROU assets - financing, net, and notes, loans and finance/capital leases payable, net in our condensed consolidated balance sheet dated December 31, 2019.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the expected remaining lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on information available at commencement date in determining the present value of lease payments. Our lease terms may include options to extend or terminate the lease, which are included in the calculation of ROU assets when it is reasonably certain that we will exercise those options. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components, which are generally not accounted for separately. Additionally, for certain leases, we apply a portfolio approach to account for the operating lease ROU assets and liabilities as the leases are similar in nature and have nearly identical contract provisions.

Adoption of this standard resulted in most of our operating lease commitments being recognized as operating lease liabilities and ROU assets, which increased total assets and total liabilities by approximately \$ 105.4 million related to property operating leases, as of April 1, 2019. In addition, we reclassified a net amount of \$ 948.2 million related to vehicle financing leases from property, plant, and equipment, net to ROU assets financing, net.

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The standard also changed the manner by which we account for our equipment sale/leaseback transactions. Based on our assessment, the lease transactions are classified as financing leases, and therefore the transactions do not qualify as a sale. Pursuant to the guidance, new sale leaseback transactions that fail to qualify as a sale will be accounted for as a financial liability. Please see Note 4, Borrowings, of the Notes to Condensed Consolidated Financial Statements for additional information.

The following table shows the components of our right-of-use assets:

As of December 31, 2019

	<u>Finance</u>	<u>Operating</u>	<u>Total</u>
		(Unaudited)	
		(In thousands)	
Buildings and improvements	\$ —	\$ 121,919	\$ 121,919
Furniture and equipment	27,309	—	27,309
Rental trailers and other rental equipment	117,987	—	117,987
Rental trucks	1,746,036	—	1,746,036
Right-of-use assets, gross	1,891,332	121,919	2,013,251
Less: Accumulated depreciation	(760,859)	(13,945)	(774,804)
Right-of-use assets, net	<u>\$ 1,130,473</u>	<u>\$ 107,974</u>	<u>\$ 1,238,447</u>

	<u>Finance</u>	<u>Operating</u>
		(Unaudited)
Weighted average remaining lease term (years)	4 Years	5 Years
Weighted average discount rate	3.43 %	4.60 %

For the first nine months ended December 31, 2019, cash paid for leases included in our operating and financing cash flow activities were \$ 18.9 million and \$ 247.2 million, respectively.

The components of lease costs were as follows:

	<u>Nine Months Ended</u>	
	<u>December 31, 2019</u>	
	(Unaudited)	
	(In thousands)	
Operating lease costs	\$	20,324
Finance lease cost:		
Amortization of right-of-use assets	\$	143,574
Interest on lease liabilities		24,083
Total finance lease cost	<u>\$</u>	<u>167,657</u>

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Maturities of lease liabilities were as follows:

	<u>Finance leases</u>	<u>Operating leases</u>
		(Unaudited)
		(In thousands)
Year ending December 31,		
2020	\$ 231,189	\$ 23,585
2021	174,105	21,204
2022	132,805	20,354
2023	115,521	19,689
2024	82,385	12,195
Thereafter	59,460	67,422
Total lease payments	795,465	164,449
Less: imputed interest	—	(56,868)
Present value of lease liabilities	<u>\$ 795,465</u>	<u>\$ 107,581</u>

9. 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.

10. 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.

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, Galaxy Investments, L.P. and 2015 SAC self-storage are substantially controlled by Blackwater Investments, Inc. (“Blackwater”). Blackwater is wholly owned by Willow Grove Holdings LP (“WGHL”), which is owned by Mark V. Shoen (a significant stockholder), and various trusts associated with Edward J. Shoen (our Chairman of the Board, President and a significant stockholder) and Mark V. Shoen.

Related Party Revenue

	Quarter Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands)	
U-Haul management fee revenue from Blackwater	\$ 5,763	\$ 5,776
U-Haul management fee revenue from Mercury	3,335	2,123
	<u>\$ 9,098</u>	<u>\$ 7,899</u>

	Nine Months Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands)	
U-Haul management fee revenue from Blackwater	\$ 18,330	\$ 18,254
U-Haul management fee revenue from Mercury	5,157	4,253
	<u>\$ 23,487</u>	<u>\$ 22,507</u>

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 management fees, exclusive of reimbursed expenses, of \$ 22.7 million and \$ 23.8 million from the above-mentioned entities during the first nine months of fiscal 2020 and 2019, 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 owned indirectly by James P. Shoen and various trusts benefitting Edward J. Shoen and James P. Shoen or their descendants. Mercury holds the option to purchase a portfolio of properties currently leased by Mercury and a U-Haul subsidiary, which option is exercisable in 2024.

Related Party Costs and Expenses

	Quarter Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands)	
U-Haul lease expenses to Blackwater	\$ 658	\$ 669
U-Haul commission expenses to Blackwater	14,140	14,296
	<u>\$ 14,798</u>	<u>\$ 14,965</u>

	Nine Months Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands)	
U-Haul lease expenses to Blackwater	\$ 1,974	\$ 2,009
U-Haul commission expenses to Blackwater	49,959	49,129
	<u>\$ 51,933</u>	<u>\$ 51,138</u>

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.

As of December 31, 2019, subsidiaries of Blackwater acted as independent dealers. The financial and other terms of the dealership contracts 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 with subsidiaries of Blackwater, excluding Dealer Agreements, provided revenues of \$ 18.3 million, expenses of \$ 2.0 million and cash flows of \$ 16.5 million during the first nine months of fiscal 2020. Revenues and commission expenses related to the Dealer Agreements were \$ 236.4 million and \$ 50.0 million, respectively, during the first nine months of fiscal 2020.

In December 2019, Real Estate completed the sale of two office buildings to Oxford at cost for approximately \$ 15.0 million. Oxford assumed the debt securing the property of \$ 11.5 million and paid the balance in cash. There were no gains on this transaction.

Management determined that we do not have a variable interest pursuant to the variable interest entity ("VIE") model under Accounting Standards Codification ("ASC") 810 – Consolidation ("ASC 810") 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.

Related Party Assets

	December 31, 2019	March 31, 2019
	(Unaudited)	
	(In thousands)	
U-Haul receivable from Blackwater	\$ 37,840	\$ 25,158
U-Haul receivable from Mercury	9,720	7,234
Other (a)	428	(1,503)
	<u>\$ 47,988</u>	<u>\$ 30,889</u>

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

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11. Financial Information by Consolidating Industry Segment:

Consolidating balance sheets by industry segment as of December 31, 2019 are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	AMERCO Consolidated
	(Unaudited)				
	(In thousands)				
Assets:					
Cash and cash equivalents	\$ 604,176	\$ 5,868	\$ 21,907	\$ –	\$ 631,951
Reinsurance recoverables and trade receivables, net	72,170	96,189	31,805	–	200,164
Inventories and parts, net	103,003	–	–	–	103,003
Prepaid expenses	188,780	–	–	–	188,780
Investments, fixed maturities and marketable equities	–	290,776	2,178,692	–	2,469,468
Investments, other	20,988	85,760	229,979	–	336,727
Deferred policy acquisition costs, net	–	–	106,354	–	106,354
Other assets	67,916	724	3,181	–	71,821
Right of use assets - financing, net	1,130,473	–	–	–	1,130,473
Right of use assets - operating	107,974	–	–	–	107,974
Related party assets	52,223	8,007	19,450	(31,692) (c)	47,988
	<u>2,347,703</u>	<u>487,324</u>	<u>2,591,368</u>	<u>(31,692)</u>	<u>5,394,703</u>
Investment in subsidiaries	657,994	–	–	(657,994) (b)	–
Property, plant and equipment, at cost:					
Land	1,018,010	–	–	–	1,018,010
Buildings and improvements	4,522,855	–	–	–	4,522,855
Furniture and equipment	733,063	–	–	–	733,063
Rental trailers and other rental equipment	511,872	–	–	–	511,872
Rental trucks	3,454,759	–	–	–	3,454,759
	<u>10,240,559</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,240,559</u>
Less: Accumulated depreciation	(2,640,940)	–	–	–	(2,640,940)
Total property, plant and equipment, net	<u>7,599,619</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,599,619</u>
Total assets	<u>\$ 10,605,316</u>	<u>\$ 487,324</u>	<u>\$ 2,591,368</u>	<u>\$ (689,686)</u>	<u>\$ 12,994,322</u>

(a) Balances as of September 30, 2019

(b) Eliminate investment in subsidiaries

(c) Eliminate intercompany receivables and payables

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Consolidating balance sheets by industry segment as of December 31, 2019 are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	AMERCO Consolidated
	(Unaudited)				
	(In thousands)				
Liabilities:					
Accounts payable and accrued expenses	\$ 536,387	\$ 2,662	\$ 12,721	\$ —	\$ 551,770
Notes, loans and finance/capital leases payable, net	4,548,609	—	—	—	4,548,609
Operating lease liability	107,581	—	—	—	107,581
Policy benefits and losses, claims and loss expenses payable	416,793	223,890	374,980	—	1,015,663
Liabilities from investment contracts	—	—	1,753,428	—	1,753,428
Other policyholders' funds and liabilities	—	5,838	7,086	—	12,924
Deferred income	31,459	—	—	—	31,459
Deferred income taxes, net	835,519	10,333	23,819	—	869,671
Related party liabilities	24,490	5,039	902	(30,431) (c)	—
Total liabilities	6,500,838	247,762	2,172,936	(30,431)	8,891,105
Stockholders' equity:					
Series preferred stock:					
Series A preferred stock	—	—	—	—	—
Series B preferred stock	—	—	—	—	—
Series A common stock	—	—	—	—	—
Common stock	10,497	3,301	2,500	(5,801) (b)	10,497
Additional paid-in capital	454,029	91,120	26,271	(117,601) (b)	453,819
Accumulated other comprehensive income (loss)	40,778	13,290	85,185	(99,736) (b)	39,517
Retained earnings	4,276,824	131,851	304,476	(436,117) (b)	4,277,034
Cost of common stock in treasury, net	(525,653)	—	—	—	(525,653)
Cost of preferred stock in treasury, net	(151,997)	—	—	—	(151,997)
Unearned employee stock ownership plan stock	—	—	—	—	—
Total stockholders' equity	4,104,478	239,562	418,432	(659,255)	4,103,217
Total liabilities and stockholders' equity	\$ 10,605,316	\$ 487,324	\$ 2,591,368	\$ (689,686)	\$ 12,994,322

(a) Balances as of September 30, 2019

(b) Eliminate investment in subsidiaries

(c) Eliminate intercompany receivables and payables

23

Consolidating balance sheets by industry segment as of March 31, 2019 are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	AMERCO Consolidated
	(In thousands)				
Assets:					
Cash and cash equivalents	\$ 643,918	\$ 5,757	\$ 24,026	\$ —	\$ 673,701
Reinsurance recoverables and trade receivables, net	90,832	102,120	31,833	—	224,785
Inventories and parts, net	103,504	—	—	—	103,504
Prepaid expenses	174,100	—	—	—	174,100
Investments, fixed maturities and marketable equities	—	279,641	1,955,756	—	2,235,397
Investments, other	23,013	74,679	203,044	—	300,736
Deferred policy acquisition costs, net	—	—	136,276	—	136,276
Other assets	72,768	2,456	3,130	—	78,354
Related party assets	35,997	6,639	16,466	(28,213) (c)	30,889
	<u>1,144,132</u>	<u>471,292</u>	<u>2,370,531</u>	<u>(28,213)</u>	<u>3,957,742</u>
Investment in subsidiaries	534,157	—	—	(534,157) (b)	—
Property, plant and equipment, at cost:					
Land	976,454	—	—	—	976,454
Buildings and improvements	4,003,726	—	—	—	4,003,726
Furniture and equipment	689,780	—	—	—	689,780
Rental trailers and other rental equipment	590,039	—	—	—	590,039
Rental trucks	4,762,028	—	—	—	4,762,028
	<u>11,022,027</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,022,027</u>
Less: Accumulated depreciation	(3,088,056)	—	—	—	(3,088,056)
Total property, plant and equipment, net	<u>7,933,971</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,933,971</u>
Total assets	\$ 9,612,260	\$ 471,292	\$ 2,370,531	\$ (562,370)	\$ 11,891,713

(a) Balances as of December 31, 2018

(b) Eliminate investment in subsidiaries

(c) Eliminate intercompany receivables and payables

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Consolidating balance sheets by industry segment as of March 31, 2019 are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	AMERCO Consolidated
(In thousands)					
Liabilities:					
Accounts payable and accrued expenses	\$ 548,099	\$ 2,844	\$ 5,930	\$ -	\$ 556,873
Notes, loans and leases payable, net	4,163,323	-	-	-	4,163,323
Policy benefits and losses, claims and loss expenses payable	407,934	229,958	373,291	-	1,011,183
Liabilities from investment contracts	-	-	1,666,742	-	1,666,742
Other policyholders' funds and liabilities	-	5,259	9,788	-	15,047
Deferred income	35,186	-	-	-	35,186
Deferred income taxes, net	741,644	6,961	2,365	-	750,970
Related party liabilities	25,446	3,836	692	(29,974) (c)	-
Total liabilities	<u>5,921,632</u>	<u>248,858</u>	<u>2,058,808</u>	<u>(29,974)</u>	<u>8,199,324</u>
Stockholders' equity:					
Series preferred stock:					
Series A preferred stock	-	-	-	-	-
Series B preferred stock	-	-	-	-	-
Series A common stock					
Common stock	10,497	3,301	2,500	(5,801) (b)	10,497
Additional paid-in capital	453,536	91,120	26,271	(117,601) (b)	453,326
Accumulated other comprehensive income (loss)	(68,459)	(3,721)	(5,300)	10,782 (b)	(66,698)
Retained earnings	3,976,752	131,734	288,252	(419,776) (b)	3,976,962
Cost of common stock in treasury, net	(525,653)	-	-	-	(525,653)
Cost of preferred stock in treasury, net	(151,997)	-	-	-	(151,997)
Unearned employee stock ownership plan stock	(4,048)	-	-	-	(4,048)
Total stockholders' equity	<u>3,690,628</u>	<u>222,434</u>	<u>311,723</u>	<u>(532,396)</u>	<u>3,692,389</u>
Total liabilities and stockholders' equity	<u>\$ 9,612,260</u>	<u>\$ 471,292</u>	<u>\$ 2,370,531</u>	<u>\$ (562,370)</u>	<u>\$ 11,891,713</u>

(a) Balances as of December 31, 2018

(b) Eliminate investment in subsidiaries

(c) Eliminate intercompany receivables and payables

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Consolidating statement of operations by industry segment for the quarter ended December 31, 2019 are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	AMERCO Consolidated
(Unaudited)					
(In thousands)					
Revenues:					
Self-moving equipment rentals	\$ 622,902	\$ -	\$ -	\$ (1,431) (c)	\$ 621,471
Self-storage revenues	106,701	-	-	-	106,701
Self-moving and self-storage products and service sales	54,454	-	-	-	54,454
Property management fees	9,098	-	-	-	9,098
Life insurance premiums	-	-	31,164	-	31,164
Property and casualty insurance premiums	-	20,040	-	(773) (c)	19,267
Net investment and interest income	2,351	5,326	26,550	(445) (b)	33,782
Other revenue	50,858	-	1,175	(90) (b)	51,943
Total revenues	<u>846,364</u>	<u>25,366</u>	<u>58,889</u>	<u>(2,739)</u>	<u>927,880</u>
Costs and expenses:					
Operating expenses	505,473	9,309	4,962	(2,291) (b,c)	517,453
Commission expenses	66,542	-	-	-	66,542
Cost of sales	35,318	-	-	-	35,318
Benefits and losses	-	6,173	36,691	-	42,864
Amortization of deferred policy acquisition costs	-	-	8,046	-	8,046
Lease expense	6,660	-	-	(170) (b)	6,490
Depreciation, net of (gains) losses on disposal	170,074	-	-	-	170,074
Net losses on disposal of real estate	528	-	-	-	528
Total costs and expenses	<u>784,595</u>	<u>15,482</u>	<u>49,699</u>	<u>(2,461)</u>	<u>847,315</u>
Earnings from operations before equity in earnings of subsidiaries	61,769	9,884	9,190	(278)	80,565
Equity in earnings of subsidiaries	15,196	-	-	(15,196) (d)	-
Earnings from operations	76,965	9,884	9,190	(15,474)	80,565
Other components of net periodic benefit costs	(263)	-	-	-	(263)
Interest expense	(40,251)	-	-	278 (b)	(39,973)
Pretax earnings	<u>36,451</u>	<u>9,884</u>	<u>9,190</u>	<u>(15,196)</u>	<u>40,329</u>

Income tax expense	<u>(5,519)</u>	<u>(2,083)</u>	<u>(1,795)</u>	<u>-</u>	<u>(9,397)</u>
Earnings available to common stockholders	\$ <u>30,932</u>	\$ <u>7,801</u>	\$ <u>7,395</u>	\$ <u>(15,196)</u>	\$ <u>30,932</u>

(a) Balances for the quarter ended September 30, 2019

(b) Eliminate intercompany lease / interest income

(c) Eliminate intercompany premiums

(d) Eliminate equity in earnings of subsidiaries

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Consolidating statements of operations by industry for the quarter ended December 31, 2018 are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a) (Unaudited) (In thousands)	Eliminations	AMERCO Consolidated
Revenues:					
Self-moving equipment rentals	\$ 627,543	\$ -	\$ -	\$ (1,407) (c)	\$ 626,136
Self-storage revenues	93,392	-	-	-	93,392
Self-moving and self-storage products and service sales	55,665	-	-	-	55,665
Property management fees	7,899	-	-	-	7,899
Life insurance premiums	-	-	34,778	-	34,778
Property and casualty insurance premiums	-	18,128	-	(460) (c)	17,668
Net investment and interest income	4,364	4,018	24,248	(419) (b)	32,211
Other revenue	50,065	-	1,409	(132) (b)	51,342
Total revenues	<u>838,928</u>	<u>22,146</u>	<u>60,435</u>	<u>(2,418)</u>	<u>919,091</u>
Costs and expenses:					
Operating expenses	465,828	9,412	5,216	(1,995) (b,c)	478,461
Commission expenses	67,493	-	-	-	67,493
Cost of sales	34,149	-	-	-	34,149
Benefits and losses	-	1,733	41,136	-	42,869
Amortization of deferred policy acquisition costs	-	-	6,654	-	6,654
Lease expense	8,026	-	-	(136) (b)	7,890
Depreciation, net of (gains) losses on disposal	143,473	-	-	-	143,473
Total costs and expenses	<u>718,969</u>	<u>11,145</u>	<u>53,006</u>	<u>(2,131)</u>	<u>780,989</u>
Earnings from operations before equity in earnings of subsidiaries	119,959	11,001	7,429	(287)	138,102
Equity in earnings of subsidiaries	14,664	-	-	(14,664) (d)	-
Earnings from operations	134,623	11,001	7,429	(14,951)	138,102
Other components of net periodic benefit costs	(253)	-	-	-	(253)
Interest expense	(35,114)	-	-	287 (b)	(34,827)
Pretax earnings	99,256	11,001	7,429	(14,664)	103,022
Income tax expense	(20,621)	(2,186)	(1,580)	-	(24,387)
Earnings available to common stockholders	\$ <u>78,635</u>	\$ <u>8,815</u>	\$ <u>5,849</u>	\$ <u>(14,664)</u>	\$ <u>78,635</u>

(a) Balances for the quarter ended September 30, 2018

(b) Eliminate intercompany lease / interest income

(c) Eliminate intercompany premiums

(d) Eliminate equity in earnings of subsidiaries

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Consolidating statements of operations by industry for the nine months ended December 31, 2019 are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a) (Unaudited) (In thousands)	Eliminations	AMERCO Consolidated
Revenues:					
Self-moving equipment rentals	\$ 2,177,697	\$ -	\$ -	\$ (3,305) (c)	\$ 2,174,392
Self-storage revenues	309,940	-	-	-	309,940
Self-moving and self-storage products and service sales	207,601	-	-	-	207,601
Property management fees	23,487	-	-	-	23,487
Life insurance premiums	-	-	96,229	-	96,229
Property and casualty insurance premiums	-	53,370	-	(2,314) (c)	51,056
Net investment and interest income	8,649	15,829	79,416	(1,265) (b)	102,629
Other revenue	188,940	-	3,424	(355) (b)	192,009
Total revenues	<u>2,916,314</u>	<u>69,199</u>	<u>179,069</u>	<u>(7,239)</u>	<u>3,157,343</u>
Costs and expenses:					
Operating expenses	1,580,705	26,785	15,809	(5,961) (b,c)	1,617,338
Commission expenses	233,540	-	-	-	233,540
Cost of sales	128,177	-	-	-	128,177
Benefits and losses	-	14,972	122,723	-	137,695
Amortization of deferred policy acquisition costs	-	-	20,625	-	20,625
Lease expense	20,324	-	-	(442) (b)	19,882
Depreciation, net of (gains) losses on disposal	462,227	-	-	-	462,227
Net gains on disposal of real estate	(1,311)	-	-	-	(1,311)
Total costs and expenses	<u>2,423,662</u>	<u>41,757</u>	<u>159,157</u>	<u>(6,403)</u>	<u>2,618,173</u>

Earnings from operations before equity in earnings of subsidiaries	492,652	27,442	19,912	(836)	539,170
Equity in earnings of subsidiaries	37,941	–	–	(37,941) (d)	–
Earnings from operations	530,593	27,442	19,912	(38,777)	539,170
Other components of net periodic benefit costs	(790)	–	–	–	(790)
Interest expense	(118,819)	–	–	836 (b)	(117,983)
Pretax earnings	410,984	27,442	19,912	(37,941)	420,397
Income tax expense	(91,304)	(5,725)	(3,688)	–	(100,717)
Earnings available to common stockholders	\$ 319,680	\$ 21,717	\$ 16,224	\$ (37,941)	\$ 319,680

(a) Balances for the nine months ended September 30, 2019

(b) Eliminate intercompany lease / interest income

(c) Eliminate intercompany premiums

(d) Eliminate equity in earnings of subsidiaries

28

Consolidating statements of operations by industry for the nine months ended December 31, 2018 are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a) (Unaudited) (In thousands)	Eliminations	AMERCO Consolidated
Revenues:					
Self-moving equipment rentals	\$ 2,128,120	\$ –	\$ –	(3,669) (c)	\$ 2,124,451
Self-storage revenues	271,097	–	–	–	271,097
Self-moving and self-storage products and service sales	207,819	–	–	–	207,819
Property management fees	22,507	–	–	–	22,507
Life insurance premiums	–	–	107,586	–	107,586
Property and casualty insurance premiums	–	48,448	–	(1,716) (c)	46,732
Net investment and interest income	9,757	10,109	66,435	(1,258) (b)	85,043
Other revenue	174,447	–	3,889	(396) (b)	177,940
Total revenues	2,813,747	58,557	177,910	(7,039)	3,043,175
Costs and expenses:					
Operating expenses	1,467,831	26,027	16,275	(5,768) (b,c)	1,504,365
Commission expenses	232,084	–	–	–	232,084
Cost of sales	130,432	–	–	–	130,432
Benefits and losses	–	10,957	126,239	–	137,196
Amortization of deferred policy acquisition costs	–	–	18,584	–	18,584
Lease expense	24,637	–	–	(408) (b)	24,229
Depreciation, net of (gains) losses on disposal	402,525	–	–	–	402,525
Net losses on disposal of real estate	10	–	–	–	10
Total costs and expenses	2,257,519	36,984	161,098	(6,176)	2,449,425
Earnings from operations before equity in earnings of subsidiaries	556,228	21,573	16,812	(863)	593,750
Equity in earnings of subsidiaries	30,306	–	–	(30,306) (d)	–
Earnings from operations	586,534	21,573	16,812	(31,169)	593,750
Other components of net periodic benefit costs	(760)	–	–	–	(760)
Interest expense	(105,974)	–	–	863 (b)	(105,111)
Pretax earnings	479,800	21,573	16,812	(30,306)	487,879
Income tax expense	(109,774)	(4,359)	(3,720)	–	(117,853)
Earnings available to common stockholders	\$ 370,026	\$ 17,214	\$ 13,092	\$ (30,306)	\$ 370,026

(a) Balances for the nine months ended September 30, 2018

(b) Eliminate intercompany lease / interest income

(c) Eliminate intercompany premiums

(d) Eliminate equity in earnings of subsidiaries

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Consolidating cash flow statements by industry segment for the nine months ended December 31, 2019 are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a) (Unaudited) (In thousands)	Elimination	AMERCO Consolidated
Cash flows from operating activities:					
Net earnings	\$ 319,680	\$ 21,717	\$ 16,224	\$ (37,941)	\$ 319,680
Earnings from consolidated entities	(37,941)	–	–	37,941	–
Adjustments to reconcile net earnings to the cash provided by operations:					
Depreciation	494,753	–	–	–	494,753
Amortization of deferred policy acquisition costs	–	–	20,625	–	20,625
Amortization of premiums and accretion of discounts related to investments, net	–	1,129	8,719	–	9,848
Amortization of debt issuance costs	3,275	–	–	–	3,275
Interest credited to policyholders	–	–	38,169	–	38,169
Change in allowance for losses on trade receivables	(76)	–	–	–	(76)
Change in allowance for inventories and parts reserve	(85)	–	–	–	(85)
Net gains on disposal of personal property	(32,526)	–	–	–	(32,526)
Net gains on disposal of real estate	(1,311)	–	–	–	(1,311)
Net gains on sales of investments	–	(178)	(8,599)	–	(8,777)
Net gains on equity investments	–	(3,749)	–	–	(3,749)
Deferred income taxes	94,258	(1,150)	(5,303)	–	87,805
Net change in other operating assets and liabilities:					
Reinsurance recoverables and trade receivables	18,799	5,931	29	–	24,759
Inventories and parts	589	–	–	–	589
Prepaid expenses	(16,402)	–	–	–	(16,402)
Capitalization of deferred policy acquisition costs	–	–	(17,530)	–	(17,530)

Other assets	(2,215)	1,973	(51)	–	(293)
Related party assets	(16,151)	(1,356)	–	–	(17,507)
Accounts payable and accrued expenses	42,453	(199)	9,500	–	51,754
Policy benefits and losses, claims and loss expenses payable	8,353	(6,067)	1,688	–	3,974
Other policyholders' funds and liabilities	–	578	(2,701)	–	(2,123)
Deferred income	(2,317)	–	–	–	(2,317)
Related party liabilities	(956)	1,192	210	–	446
Net cash provided by operating activities	872,180	19,821	60,980	–	952,981
Cash flows from investing activities:					
Escrow deposits	7,153	–	–	–	7,153
Purchases of:					
Property, plant and equipment	(1,917,862)	–	–	–	(1,917,862)
Short term investments	–	(47,036)	(421)	–	(47,457)
Fixed maturities investments	–	(8,954)	(258,955)	–	(267,909)
Equity securities	–	–	(83)	–	(83)
Real estate	–	(328)	(156)	–	(484)
Mortgage loans	–	(12,750)	(30,335)	–	(43,085)
Proceeds from sales and paydowns of:					
Property, plant and equipment	599,797	–	–	–	599,797
Short term investments	–	46,859	–	–	46,859
Fixed maturities investments	–	21,981	171,215	–	193,196
Equity securities	–	185	–	–	185
Real estate	311	–	–	–	311
Mortgage loans	–	1,933	7,119	–	9,052
Net cash provided (used) by investing activities	(1,310,601)	1,890	(111,616)	–	(1,420,327)

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(a) Balance for the period ended September 30, 2019

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Consolidating cash flow statements by industry segment for the nine months ended December 31, 2019 are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination	AMERCO Consolidated
	(Unaudited)				
	(In thousands)				
Cash flows from financing activities:					
Borrowings from credit facilities	865,362	–	2,500	–	867,862
Principal repayments on credit facilities	(222,832)	–	(2,500)	–	(225,332)
Payments of debt issuance costs	(3,671)	–	–	–	(3,671)
Finance/capital lease payments	(247,188)	–	–	–	(247,188)
Employee stock ownership plan stock	(206)	–	–	–	(206)
Common stock dividend paid	(19,600)	–	–	–	(19,600)
Net contribution from (to) related party	21,600	(21,600)	–	–	–
Investment contract deposits	–	–	171,465	–	171,465
Investment contract withdrawals	–	–	(122,948)	–	(122,948)
Net cash provided (used) by financing activities	393,465	(21,600)	48,517	–	420,382
Effects of exchange rate on cash	5,214	–	–	–	5,214
Increase (decrease) in cash and cash equivalents	(39,742)	111	(2,119)	–	(41,750)
Cash and cash equivalents at beginning of period	643,918	5,757	24,026	–	673,701
Cash and cash equivalents at end of period	\$ 604,176	\$ 5,868	\$ 21,907	\$ –	\$ 631,951

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(a) Balance for the period ended September 30, 2019

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Consolidating cash flow statements by industry segment for the nine months ended December 31, 2018 are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination	AMERCO Consolidated
	(Unaudited)				
	(In thousands)				
Cash flows from operating activities:					
Net earnings	\$ 370,026	\$ 17,214	\$ 13,092	\$ (30,306)	\$ 370,026
Earnings from consolidated entities	(30,306)	–	–	30,306	–
Adjustments to reconcile net earnings to cash provided by operations:					
Depreciation	431,652	–	–	–	431,652
Amortization of deferred policy acquisition costs	–	–	18,584	–	18,584
Amortization of premiums and accretion of discounts related to investments, net	–	991	8,811	–	9,802
Amortization of debt issuance costs	2,922	–	–	–	2,922
Interest credited to policyholders	–	–	28,540	–	28,540
Change in allowance for losses on trade receivables	129	–	(5)	–	124
Change in allowance for inventories and parts reserve	2,539	–	–	–	2,539
Net gains on disposal of personal property	(29,127)	–	–	–	(29,127)
Net losses on disposal of real estate	10	–	–	–	10
Net gains on sales of investments	–	(3,007)	(587)	–	(3,594)
Net losses on equity investments	–	4,289	–	–	4,289
Deferred income taxes	108,618	(665)	(3,628)	–	104,325
Net change in other operating assets and liabilities:					
Reinsurance recoverables and trade receivables	2,323	2,000	(2,722)	–	1,601
Inventories and parts	(8,858)	–	–	–	(8,858)
Prepaid expenses	(12,533)	–	–	–	(12,533)
Capitalization of deferred policy acquisition costs	–	–	(19,994)	–	(19,994)
Other assets	159,232	391	(498)	–	159,125
Related party assets	(1,428)	(410)	–	–	(1,838)
Accounts payable and accrued expenses	(16,639)	1,174	1,234	–	(14,231)
Policy benefits and losses, claims and loss expenses payable	(157,470)	(4,751)	2,936	–	(159,285)
Other policyholders' funds and liabilities	–	(327)	3,194	–	2,867
Deferred income	(4,982)	–	–	–	(4,982)
Related party liabilities	(3,039)	318	(548)	–	(3,269)
Net cash provided by operating activities	813,069	17,217	48,409	–	878,695
Cash flows from investing activities:					
Escrow deposits	(3,292)	–	–	–	(3,292)
Purchases of:					
Property, plant and equipment	(1,325,365)	–	–	–	(1,325,365)
Short term investments	–	(39,251)	(243)	–	(39,494)
Fixed maturities investments	–	(32,862)	(361,404)	–	(394,266)
Equity securities	–	–	(957)	–	(957)
Preferred stock	–	–	(81)	–	(81)
Real estate	(236)	(187)	(82)	–	(505)
Mortgage loans	–	(13,312)	(43,580)	–	(56,892)
Proceeds from sales and paydowns of:					
Property, plant and equipment	561,848	–	–	–	561,848
Short term investments	–	47,012	–	–	47,012

Fixed maturities investments	—	8,895	73,881	—	82,776
Equity securities	—	8,608	—	—	8,608
Preferred stock	—	1,625	—	—	1,625
Mortgage loans	—	1,331	115,469	—	116,800
Net cash used by investing activities	(767,045)	(18,141)	(216,997)	—	(1,002,183)

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(a) Balance for the period ended September 30, 2018

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Consolidating cash flow statements by industry segment for the nine months ended December 31, 2018 are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination	AMERCO Consolidated
	(Unaudited)				
	(In thousands)				
Cash flows from financing activities:					
Borrowings from credit facilities	666,232	—	26,900	—	693,132
Principal repayments on credit facilities	(228,223)	—	(26,900)	—	(255,123)
Payment of debt issuance costs	(5,097)	—	—	—	(5,097)
Capital lease payments	(236,683)	—	—	—	(236,683)
Employee stock ownership plan stock	(203)	—	—	—	(203)
Common stock dividend paid	(29,385)	—	—	—	(29,385)
Investment contract deposits	—	—	300,920	—	300,920
Investment contract withdrawals	—	—	(109,641)	—	(109,641)
Net cash provided by financing activities	166,641	—	191,279	—	357,920
Effects of exchange rate on cash	(9,435)	—	—	—	(9,435)
Increase (decrease) in cash and cash equivalents	203,230	(924)	22,691	—	224,997
Cash and cash equivalents at beginning of period	702,036	6,639	50,713	—	759,388
Cash and cash equivalents at end of period	\$ 905,266	\$ 5,715	\$ 73,404	\$ —	\$ 984,385

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(a) Balance for the period ended September 30, 2018

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12. Industry Segment and Geographic Area Data

	United States	Canada	Consolidated
	(Unaudited)		
	(All amounts are in thousands of U.S. \$'s)		
Quarter Ended December 31, 2019			
Total revenues	\$ 886,731	\$ 41,149	\$ 927,880
Depreciation and amortization, net of (gains) losses on disposal	174,669	3,979	178,648
Interest expense	39,042	931	39,973
Pretax earnings (loss)	40,606	(277)	40,329
Income tax expense	9,303	94	9,397
Identifiable assets	12,575,914	418,408	12,994,322

Quarter Ended December 31, 2018			
Total revenues	\$ 880,767	\$ 38,324	\$ 919,091
Depreciation and amortization, net of (gains) losses on disposal	147,868	2,259	150,127
Interest expense	34,051	776	34,827
Pretax earnings	100,832	2,190	103,022
Income tax expense	23,828	559	24,387
Identifiable assets	11,285,627	360,133	11,645,760

	United States	Canada	Consolidated
	(Unaudited)		
	(All amounts are in thousands of U.S. \$'s)		
Nine Months Ended December 31, 2019			
Total revenues	\$ 3,008,067	\$ 149,276	\$ 3,157,343
Depreciation and amortization, net of (gains) losses on disposal	471,535	10,006	481,541
Interest expense	115,523	2,460	117,983
Pretax earnings	411,565	8,832	420,397
Income tax expense	97,951	2,766	100,717
Identifiable assets	12,575,914	418,408	12,994,322

Nine Months Ended December 31, 2018			
Total revenues	\$ 2,901,908	\$ 141,267	\$ 3,043,175
Depreciation and amortization, net of (gains) losses on disposal	416,784	4,335	421,119
Interest expense	102,924	2,187	105,111
Pretax earnings	472,302	15,577	487,879

Income tax expense	113,712	4,141	117,853
Identifiable assets	11,285,627	360,133	11,645,760

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13. Employee Benefit Plans

The components of the net periodic benefit costs with respect to postretirement benefits were as follows:

	Quarter Ended December 31,	
	2019	2018
	(Unaudited) (In thousands)	
Service cost for benefits earned during the period	\$ 292	\$ 277
Other components of net periodic benefit costs:		
Interest cost on accumulated postretirement benefit	241	235
Other components	22	18
Total other components of net periodic benefit costs	<u>263</u>	<u>253</u>
Net periodic postretirement benefit cost	<u>\$ 555</u>	<u>\$ 530</u>

	Nine Months Ended December 31,	
	2019	2018
	(Unaudited) (In thousands)	
Service cost for benefits earned during the period	\$ 876	\$ 831
Other components of net periodic benefit costs:		
Interest cost on accumulated postretirement benefit	723	707
Other components	67	53
Total other components of net periodic benefit costs	<u>790</u>	<u>760</u>
Net periodic postretirement benefit cost	<u>\$ 1,666</u>	<u>\$ 1,591</u>

14. Fair Value Measurements

Assets and liabilities are recorded at fair value on the consolidated balance sheets and are measured and classified based upon a three-tiered approach to valuation. Financial assets and liabilities are recorded at fair value and are classified and disclosed in one of the following three categories:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for identical or similar financial instruments in markets that are not considered to be active, or similar financial instruments for which all significant inputs are observable, either directly or indirectly, or inputs other than quoted prices that are observable, or inputs that are derived principally from or corroborated by observable market data through correlation or other means; and

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable. These reflect management's assumptions about the assumptions a market participant would use in pricing the asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair values of cash equivalents approximate carrying value due to the short period of time to maturity. Fair values of short-term investments, investments available-for-sale, long-term investments, mortgage loans and notes on real estate, and interest rate swap contracts are based on quoted market prices, dealer quotes or discounted cash flows. Fair values of trade receivables approximate their recorded value.

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Our financial instruments that are exposed to concentrations of credit risk consist primarily of temporary cash investments, trade receivables, reinsurance recoverables and notes receivable. Limited credit risk exists on trade receivables due to the diversity of our customer base and their dispersion across broad geographic markets. We place our temporary cash investments with financial institutions and limit the amount of credit exposure to any one financial institution.

We have mortgage receivables, which potentially expose us to credit risk. The portfolio of notes is principally collateralized by self-storage facilities and commercial properties. We have not experienced any material losses related to the notes from individual or groups of notes in any particular industry or geographic area. The estimated fair values were determined using the discounted cash flow method and using interest rates currently offered for similar loans to borrowers with similar credit ratings.

The carrying amount of long-term debt and short-term borrowings are estimated to approximate fair value as the actual interest rate is consistent with the rate estimated to be currently available for debt of similar term and remaining maturity.

Other investments, including short-term investments, are substantially current or bear reasonable interest rates. As a result, the carrying values of these financial instruments approximate fair value.

The carrying values and estimated fair values for the financial instruments stated above and their placement in the fair value hierarchy are as follows:

Fair Value Hierarchy	
<u>Carrying</u>	<u>Total Estimated</u>

As of December 31, 2019	Value	Level 1	Level 2	Level 3	Fair Value
	(Unaudited)				
	(In thousands)				
Assets					
Reinsurance recoverables and trade receivables, net	\$ 200,164	\$ –	\$ –	\$ 200,164	\$ 200,164
Mortgage loans, net	259,867	–	–	259,867	259,867
Other investments	76,860	–	–	76,860	76,860
Total	\$ 536,891	\$ –	\$ –	\$ 536,891	\$ 536,891

Liabilities					
Notes, loans and finance/capital leases payable	4,548,609	–	4,548,609	–	4,548,609
Total	\$ 4,548,609	\$ –	\$ 4,548,609	\$ –	\$ 4,548,609

Fair Value Hierarchy

As of March 31, 2019	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In thousands)				
Assets					
Reinsurance recoverables and trade receivables, net	\$ 224,785	\$ –	\$ –	\$ 224,785	\$ 224,785
Mortgage loans, net	225,829	–	–	225,829	225,829
Other investments	74,907	–	–	74,907	74,907
Total	\$ 525,521	\$ –	\$ –	\$ 525,521	\$ 525,521

Liabilities					
Notes, loans and leases payable	4,192,243	–	4,192,243	–	4,192,243
Total	\$ 4,192,243	\$ –	\$ 4,192,243	\$ –	\$ 4,192,243

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The following tables represent the financial assets and liabilities on the condensed consolidated balance sheets as of December 31, 2019 and March 31, 2019 that are measured at fair value on a recurring basis and the level within the fair value hierarchy.

As of December 31, 2019	Total	Level 1	Level 2	Level 3
	(Unaudited)			
	(In thousands)			
Assets				
Short-term investments	\$ 476,776	\$ 476,776	\$ –	\$ –
Fixed maturities - available for sale	2,440,404	7,607	2,432,578	219
Preferred stock	9,076	9,076	–	–
Common stock	19,988	19,988	–	–
Derivatives	4,795	4,795	–	–
Total	\$ 2,951,039	\$ 518,242	\$ 2,432,578	\$ 219

Liabilities				
Derivatives	1,415	–	1,415	–
Total	\$ 1,415	\$ –	\$ 1,415	\$ –

As of March 31, 2019	Total	Level 1	Level 2	Level 3
	(In thousands)			
Assets				
Short-term investments	\$ 463,847	\$ 463,599	\$ 248	\$ –
Fixed maturities - available for sale	2,209,761	7,327	2,202,213	221
Preferred stock	8,257	8,257	–	–
Common stock	17,379	17,379	–	–
Derivatives	1,607	1,468	139	–
Total	\$ 2,700,851	\$ 498,030	\$ 2,202,600	\$ 221

Liabilities				
Derivatives	–	–	–	–
Total	\$ –	\$ –	\$ –	\$ –

The fair value measurements for our assets using significant unobservable inputs (Level 3) were \$ 0.2 million for both December 31, 2019 and March 31, 2019.

15. Revenue Recognition

Revenue Recognized in Accordance with Topic 606

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, an updated standard on revenue recognition. The standard outlines a five-step model for entities to use in accounting for revenue arising from contracts with customers. The standard applies to all contracts with customers except for leases, insurance contracts, financial instruments, certain nonmonetary exchanges and certain guarantees. The standard also requires expanded disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU 2014-09 became effective for us on April 1, 2018 and was adopted on a modified retrospective basis. Due to insignificant changes in our revenue recognition pattern for applicable revenue streams as a result of the updated guidance, there was no cumulative effect recorded. Additionally, we elected to use the practical expedient for contracts that begin and end within the same reporting period in applying the updated guidance to our applicable revenue streams. We performed an impact assessment by analyzing certain existing material revenue transactions and arrangements that are representative of our business segments and their revenue streams. Additionally, we assessed any potential impacts on our internal controls and processes related to both the implementation and ongoing compliance of the new guidance. The adoption of the standard did not have a material effect on our Consolidated Balance Sheets, Consolidated Statements of Operations, or Consolidated Statements of Cash Flows.

We enter into contracts that may include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of amounts collected from customers for taxes, such as sales tax, and remitted to the applicable taxing authorities. We account for a contract under Topic 606 when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. For contracts scoped into this standard, revenue is recognized when (or as) the performance obligations are satisfied by means of transferring goods or services to the customer as applicable to each revenue stream as discussed below. There were no material contract assets or liabilities as of December 31, 2019 and March 31, 2019.

Sales of self-moving and self-storage related products are recognized at the time that title passes and the customer accepts delivery. The performance obligations identified for this portfolio of contracts include moving and storage product sales, installation services and/or propane sales. Each of these performance obligations has an observable stand-alone selling price. We concluded that the performance obligations identified are satisfied at a point in time under Topic 606, which is consistent with the timing of our revenue recognition under legacy guidance. The basis for this conclusion is that the customer does not receive the product/propane or benefit from the installation services until the related performance obligation is satisfied. These products/services being provided have an alternative use as they are not customized and can be sold/provided to any customer. In addition, we only have the right to receive payment once the products have been transferred to the customer or the installation services have been completed. Although product sales have a right of return policy, our estimated obligation for future product returns is not material to the financial statements at this time.

Property management fees are recognized over the period that agreed-upon services are provided. The performance obligation for this portfolio of contracts is property management services, which represents a series of distinct days of service, each of which is comprised of activities that may vary from day to day. However, those tasks are activities to fulfill the property management services and are not separate promises in the contract. We determined that each increment of the promised service is distinct in accordance with paragraph 606-10-25-19. This is because the customer can benefit from each increment of service on its own and each increment of service is separately identifiable because no day of service significantly modifies or customizes another and no day of service significantly affects either the entity's ability to fulfill another day of service or the benefit to the customer of another day of service. As such, we concluded that the performance obligation is satisfied over time under Topic 606, which is consistent with the timing of our revenue recognition under legacy guidance for the Management Fee component of the compensation received in exchange for the service. Additionally, in certain contracts the Company has the ability to earn an incentive fee based on operational results. Historically, these fees have been recognized once fully determinable. Under Topic 606, we measure and recognize the progress

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toward completion of the performance obligation on a quarterly basis using the most likely amount method to determine an accrual for the incentive fee portion of the compensation received in exchange for the property management service. The variable consideration recognized is subject to constraints due to a range of possible consideration amounts based on actual operational results. The amount accrued in the third quarter of fiscal 2020 did not have a material effect on our financial statements.

Other revenue consists of numerous services or rentals, of which U-Box contracts and service fees from Moving Help are the main components. The performance obligations identified for U-Box contracts are fees for rental, storage and shipping of U-Box containers to a specified location, each of which are distinct. A contract may be partially within the scope of Topic 606 and partially within the scope of other topics. The rental and storage obligations in U-Box contracts meet the definition of a lease in Topic 842, while the shipping obligation represents a contract with a customer accounted for under Topic 606. Therefore, we allocate the total transaction price between the performance obligations of storage fees and rental fees and the shipping fees on a standalone selling price basis. U-Box shipping fees are collected once the shipment is in transit. Shipping fees in U-Box contracts are set at the initiation of the contract based on the shipping origin and destination, and the performance obligation is satisfied over time under Topic 606, which is consistent with the timing of our revenue recognition under legacy guidance. U-Box shipping contracts span over a relatively short period of time, and the majority of these contracts begin and end within the same fiscal year. Moving Help services fees are recognized in accordance with Topic 606. Moving Help services are generated as we provide a neutral venue for the connection between the service provider and the customer for agreed upon services. We do not control the specified services provided by the service provider before that service is transferred to the customer.

Revenue Recognized in Accordance with Topic 842/840

The Company's self-moving rental revenues meet the definition of a lease pursuant to the guidance in ASU 2016-02, *Leases (Topic 842)* because those substitution rights do not provide an economic benefit to the Company that would exceed the cost of exercising the right. Therefore, upon adoption of ASU 2016-02 on April 1, 2019, self-rental contracts are being accounted for as leases. We combined all lease and non-lease components of lease contracts for which the timing and pattern of transfer are the same and the lease component meets the classification of an operating lease, and account for them in accordance with Topic 842. The revenue streams accounted for in accordance with Topic 842 are recognized evenly over the period of rental. We do not expect this change to result in a change in the timing and pattern of recognition of the related revenues due to the short-term nature of the self-moving rental contracts. Please see Note 8, *Leases*, of the Notes to Condensed Consolidated Financial Statements.

Self-storage revenues are recognized as earned over the contract period based upon the number of paid storage contract days. Self-storage revenues are recognized in accordance with existing guidance in Topic 840 – *Leases*.

We lease portions of our operating properties to tenants under agreements that are classified as operating leases. We recognize the total minimum lease

payments provided for under the leases on a straight-line basis over the lease term. Generally, under the terms of our leases, the majority of our rental expenses, including common area maintenance, real estate taxes and insurance, are recovered from our customers.

The following table summarizes the minimum lease payments due from our customers and operating property tenants on leases for the next five years and thereafter:

	Year Ending December 31,					
	2020	2021	2022	2023	2024	Thereafter
	(Unaudited)					
	(In thousands)					
Self-moving equipment rentals	\$ 3,101	\$ -	\$ -	\$ -	\$ -	\$ -
Property lease revenues	21,081	17,122	13,577	10,414	7,458	58,598
Total	<u>\$ 24,182</u>	<u>\$ 17,122</u>	<u>\$ 13,577</u>	<u>\$ 10,414</u>	<u>\$ 7,458</u>	<u>\$ 58,598</u>

The amounts above do not reflect future rental revenue from the renewal or replacement of existing leases.

Revenue Recognized in Accordance with Other Topics

Traditional life and Medicare supplement insurance premiums are recognized as revenue over the premium-paying periods of the contracts when due from the policyholders. For products where premiums are due over a significantly shorter duration than the period over which benefits are provided, such as our single premium whole life product, premiums are recognized when received and excess profits are deferred and recognized in relation to the insurance in force. Life insurance premiums are recognized in accordance with existing guidance in Topic 944 – Financial Services – Insurance.

Property and casualty insurance premiums are recognized as revenue over the policy periods. Interest and investment income are recognized as earned. Property and casualty premiums are recognized in accordance with existing guidance in Topic 944 – Financial Services – Insurance.

Net investment and interest income has multiple components. Interest income from bonds and mortgage notes are recognized when earned. Dividends on common and preferred stocks are recognized on the ex-dividend dates. Realized gains and losses on the sale or exchange of investments are recognized at the trade date. Net investment and interest income is recognized in accordance with existing guidance in Topic 825 – Financial Instruments.

In the following tables, revenue is disaggregated by timing of revenue recognition:

	Quarter Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands)	
Revenues recognized over time:	\$ 31,695	\$ 662,498
Revenues recognized at a point in time:	64,802	65,372
Total revenues recognized under ASC 606	<u>96,497</u>	<u>727,870</u>
Revenues recognized under ASC 842 or 840	745,378	102,863
Revenues recognized under ASC 944	52,223	56,147
Revenues recognized under ASC 320	33,782	32,211
Total revenues	<u>\$ 927,880</u>	<u>\$ 919,091</u>

	Nine Months Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands)	
Revenues recognized over time:	\$ 119,760	\$ 2,255,541
Revenues recognized at a point in time:	242,238	240,281
Total revenues recognized under ASC 606	<u>361,998</u>	<u>2,495,822</u>
Revenues recognized under ASC 842 or 840	2,540,372	301,551
Revenues recognized under ASC 944	152,344	160,759
Revenues recognized under ASC 320	102,629	85,043
Total revenues	<u>\$ 3,157,343</u>	<u>\$ 3,043,175</u>

In the above tables, the revenues recognized over time include self-moving equipment rentals, property management fees, the shipping fees associated with U-

Box rentals and a portion of other revenues for the third quarter and first nine months ended December 31, 2018. Whereas revenues recognized at a point in time include self-moving and self-storage products and service sales and a portion of other revenues. Self-moving equipment rentals are now in revenues recognized under ASC 842/840 as of April 1, 2019.

We recognized liabilities resulting from contracts with customers for self-moving equipment rentals, self-storage revenues, U-Box revenues and tenant revenue, in which the length of the contract goes beyond the reported period end, although rental periods of the equipment, storage and U-Box contract are generally short-term in nature. The timing of revenue recognition results in liabilities that are reflected in deferred income on the balance sheet.

16. Accounting Pronouncements

Adoption of New Accounting Pronouncements

On April 1, 2019, we adopted ASU 2016-02, *Leases (Topic 842)* along with related updates, which require a lessee to recognize all leases with terms greater than 12 months on their balance sheet as a liability for its lease obligation, measured at the present value of lease payments not yet paid, and a corresponding asset representing its right to use the underlying asset over the lease term. The new leasing standard does not significantly change a lessee's recognition, measurement and presentation of expenses and cash flows. Additionally, Topic 842 aligns key aspects of lessor accounting with the new revenue recognition guidance in Topic 606 (see ASU 2014-09 on the previous page) and expands disclosure of key information about leasing arrangements in an attempt to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. We have determined portions of the vehicle rental contracts that convey the right to control the use of identified assets are within the scope of the accounting guidance contained in the new leasing standard. As we disclosed in our discussion of ASU 2014-09, the Company's rental related revenues are accounted for under the revenue accounting standard Topic 606.

Topic 842 maintains the dual model for lease accounting, requiring leases to be classified as either operating or finance, with lease classification determined in a manner similar to existing lease guidance. The basic principle is that leases of all types convey the right to direct the use and obtain substantially all the economic benefits of an identified asset, meaning they create an asset and liability for lessees. Lessees classify leases as either finance leases (comparable to current capital leases) or operating leases (comparable to current operating leases). Costs for a finance lease are split between amortization and interest expense, with operating leases reporting a single lease expense.

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Topic 842 substantially changed the accounting for sale-leasebacks going forward, where we are to assess if the contract qualifies as a sale under ASC 606. We have determined that our equipment sale-leasebacks do not qualify as a sale, as the buyer-lessors do not obtain control of the assets in our ongoing sale-leaseback arrangements. As a result, we expect future sale-leasebacks to be accounted for as a financial liability and the leased assets will be capitalized at cost. As all existing sale-leasebacks have been accounted for as a sale, we did not reassess any existing sale-leaseback transactions.

We adopted the new leasing standard using the Effective Date Approach, which allows entities to only apply the new lease standard in the year of adoption. We elected the available practical expedients for existing or expired contracts of lessees and lessors wherein the Company is not required to reassess whether such contracts contain leases, the lease classification or the initial direct costs. Additionally, we elected as accounting policies to not recognize right of use assets or lease liabilities for short-term leases (i.e. those with a term of 12 months or less) and to combine lease and non-lease components in the contract for both lessee and lessor arrangements. Adoption of this standard resulted in most of our operating lease commitments being recognized as operating lease liabilities and right-of-use assets. Please see Note 8, Leases, of the Notes to Consolidated Financial Statements.

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Cost (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities*. These amendments shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The guidance is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. If an entity early adopts in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes the interim period. The amendments should be applied on a modified retrospective basis, with a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The adoption of the standard did not have a material impact on our consolidated financial statements.

Recent Accounting Pronouncements

In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). This standard requires the measurement and recognition of expected credit losses held at amortized cost. This new standard requires the use of forward-looking information to estimate credit losses and requires credit losses for available for sale debt securities to be recorded through an allowance for credit losses rather than a reduction in the amortized cost basis. This update is effective for public companies for annual reporting periods beginning after December 15, 2019. In November 2019, the FASB released ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, which clarified narrow issues within ASU 2016-13. Specifically, the four main clarifications include: expected recoveries for purchased financial assets with credit deterioration; transition relief for troubled debt restructurings; disclosures for accrued interest receivables; and financial assets backed by collateral maintenance provisions. We are currently evaluating the impact of these standards on our consolidated financial statements.

In August 2018, the FASB adopted ASU 2018-12, *Targeted Improvements to the Accounting for Long-Duration Contracts* ("ASU 2018-12"). The amendments in this update require insurance companies to annually review and update the assumptions used for measuring the liability under long-duration contracts, such as life insurance, disability income, and annuities. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2020. We are currently in the process of evaluating the impact of the adoption of this amendment on our financial statements; however, the adoption of ASU 2018-12 will impact the statements of operations because the effect of any update to the assumptions we used at the inception of the contracts will be recorded in net income.

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In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), which modifies the disclosures on fair value measurements by removing the requirement to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for the timing of such transfers. ASU 2018-13 expands the disclosure requirements for Level 3 fair value measurements, primarily focused on changes in unrealized gains and losses included in other comprehensive income. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently evaluating the impact of this update on our disclosures in the Notes to Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General Subtopic 715-20 - Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans* ("ASU 2018-14"), which amends ASC 715 to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans. ASU 2018-14 is effective for fiscal years ending after December 15, 2020. We are

currently evaluating the impact of this standard on our consolidated financial statements.

From time to time, new accounting pronouncements are issued by the FASB or the SEC that are adopted by us as of the specified effective date. Unless otherwise discussed, these ASUs entail technical corrections to existing guidance or affect guidance related to specialized industries or entities and therefore will have minimal, if any, impact on our financial position or results of operations upon adoption.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

We begin Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") with the overall strategy of AMERCO, followed by a description of, and strategy related to, our operating segments to give the reader an overview of the goals of our businesses and the direction in which our businesses and products are moving. We then discuss our critical accounting policies and estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results. Next, we discuss our results of operations for the third quarter and first nine months of fiscal 2020, compared with the third quarter and first nine months of fiscal 2019, which is followed by an analysis of liquidity changes in our balance sheets and cash flows, and a discussion of our financial commitments in the sections entitled Liquidity and Capital Resources - Summary and Disclosures about Contractual Obligations and Commercial Commitments and a discussion of off-balance sheet arrangements. We conclude this MD&A by discussing our current outlook for the remainder of fiscal 2020.

This MD&A should be read in conjunction with the other sections of this Quarterly Report, including the Notes to Condensed Consolidated Financial Statements. The various sections of this MD&A contain a number of forward-looking statements, as discussed under the caption, Cautionary Statements Regarding Forward-Looking Statements, all of which are based on our current expectations and could be affected by the uncertainties and risks described throughout this filing or in our most recent Annual Report on Form 10-K for the fiscal year ended March 31, 2019. Many of these risks and uncertainties are beyond our control and our actual results may differ materially from these forward-looking statements.

AMERCO, a Nevada corporation, 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 material events, if any, occurring during the intervening period. Consequently, all references to our insurance subsidiaries' years 2019 and 2018 correspond to fiscal 2020 and 2019 for AMERCO.

Overall Strategy

Our overall strategy is to maintain our leadership position in the United States and Canada "do-it-yourself" moving and storage industry. We accomplish this by providing a seamless and integrated supply chain to the "do-it-yourself" moving and storage market. As part of executing this strategy, we leverage the brand recognition of U-Haul with our full line of moving and self-storage related products and services and the convenience of our broad geographic presence.

Our primary focus is to provide our customers with a wide selection of moving rental equipment, convenient self-storage rental facilities, portable moving and storage units and related moving and self-storage products and services. We are able to expand our distribution and improve customer service by increasing the amount of moving equipment and storage units and portable moving and storage units available for rent, expanding the number of independent dealers in our network and expanding and taking advantage of our eMove[®] capabilities.

Property and Casualty Insurance is focused on providing and administering property and casualty insurance to U-Haul and its customers, its independent dealers and affiliates.

Life Insurance is focused on long term capital growth through direct writing and reinsuring of life insurance, Medicare supplement and annuity products in the senior marketplace.

Description of Operating Segments

AMERCO's three reportable segments are:

- Moving and Storage, comprised of AMERCO, U-Haul, and Real Estate and the wholly owned subsidiaries of U-Haul and Real Estate;
- Property and Casualty Insurance, comprised of Repwest and its wholly owned subsidiaries and ARCOA; and

- Life Insurance, comprised of Oxford and its wholly owned subsidiaries.

Moving and Storage

Moving and Storage consists of the rental of trucks, trailers, portable moving and storage units, specialty rental items and self-storage spaces primarily to the household mover as well as sales of moving supplies, towing accessories and propane. Operations are conducted under the registered trade name U-Haul[®] throughout the United States and Canada.

With respect to our truck, trailer, specialty rental items and self-storage rental business, we are focused on expanding our dealer network, which provides added convenience for our customers, and expanding the selection and availability of rental equipment to satisfy the needs of our customers.

U-Haul brand self-moving related products and services, such as boxes, pads and tape, allow our customers to, among other things, protect their belongings from potential damage during the moving process. We are committed to providing a complete line of products selected with the "do-it-yourself" moving and storage customer in mind.

uhaul.com[®] is an online marketplace that connects consumers to our operations as well as independent Moving Help[®] service providers and thousands of

independent Self-Storage Affiliates. Our network of customer rated affiliates and service providers furnish pack and load help, cleaning help, self-storage and similar services throughout the United States and Canada. Our goal is to further utilize our web-based technology platform to increase service to consumers and businesses in the moving and storage market.

Since 1945, U-Haul has incorporated sustainable practices into its everyday operations. We believe that our basic business premise of equipment sharing helps reduce greenhouse gas emissions and reduces the inventory of total large capacity vehicles. We continue to look for ways to reduce waste within our business and are dedicated to manufacturing reusable components and recyclable products. We believe that our commitment to sustainability, through our products and services and everyday operations, has helped us to reduce our impact on the environment.

Property and Casualty Insurance

Property and Casualty Insurance provides loss adjusting and claims handling for U-Haul through regional offices across 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. We continue to focus on increasing the penetration of these products into the moving and storage market. The business plan for Property and Casualty Insurance includes offering property and casualty insurance products in other U-Haul related programs.

Life Insurance

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.

Critical Accounting Policies and Estimates

Our financial statements have been prepared in accordance with GAAP in the United States. The methods, estimates and judgments we use in applying our accounting policies can have a significant impact on the results we report in our financial statements. Certain accounting policies require us to make difficult and subjective judgments and assumptions, often as a result of the need to estimate matters that are inherently uncertain.

Following is a detailed description of the accounting policies that we deem most critical to us and that require management's most difficult and subjective judgments. These estimates are based on historical experience, observance of trends in particular areas, information and valuations available from outside sources and on various other assumptions that are believed to be reasonable under the circumstances and which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual amounts may differ from these estimates under different assumptions and conditions and such differences may be material.

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We also have other policies that we consider key accounting policies such as revenue recognition; however, these policies do not meet the definition of critical accounting estimates because they do not generally require us to make estimates or judgments that are difficult or subjective. The accounting policies that we deem most critical to us, and involve the most difficult, subjective or complex judgments include the following:

Principles of Consolidation

We apply Accounting Standards Codification ("ASC") 810 - *Consolidation* ("ASC 810") in our principles of consolidation. ASC 810 addresses arrangements where a company does not hold a majority of the voting or similar interests of a variable interest entity ("VIE"). A company is required to consolidate a VIE if it has determined it is the primary beneficiary. ASC 810 also addresses the policy when a company owns a majority of the voting or similar rights and exercises effective control.

As promulgated by ASC 810, a VIE is not self-supportive due to having one or both of the following conditions: (i) it has an insufficient amount of equity for it to finance its activities without receiving additional subordinated financial support or (ii) its owners do not hold the typical risks and rights of equity owners. This determination is made upon the creation of a variable interest and is re-assessed on an on-going basis should certain changes in the operations of a VIE, or its relationship with the primary beneficiary, trigger a reconsideration under the provisions of ASC 810. After a reconsideration event occurs, the facts and circumstances are utilized in determining whether or not a company is a VIE, which other company(ies) have a variable interest in the entity, and whether or not the company's interest is such that it is the primary beneficiary.

We will continue to monitor our relationships with the other entities regarding who is the primary beneficiary, which could change based on facts and circumstances of any reconsideration events.

Recoverability of Property, Plant and Equipment

Our property, plant and equipment is stated at cost. Interest expense incurred during the initial construction of buildings and rental equipment is considered part of cost. Depreciation is computed for financial reporting purposes using the straight-line or an accelerated method based on a declining balance formula over the following estimated useful lives: rental equipment 2-20 years and buildings and non-rental equipment 3-55 years. Routine maintenance costs are charged to operating expense as they are incurred. Gains and losses on dispositions of property, plant and equipment other than real estate ("personal property") are netted against depreciation expense when realized. Equipment depreciation is recognized in amounts expected to result in the recovery of estimated residual values upon disposal, i.e., minimize gains or losses. In determining the depreciation rate, historical disposal experience, holding periods and trends in the market for vehicles are reviewed. As a result of the changes in IRS regulations regarding the capitalization of assets, beginning in the first quarter of fiscal 2017, the Company changed its depreciation policy to raise the value threshold before certain assets are capitalized. This change in procedure results in the immediate recognition of reported operating costs with a lagging decrease in depreciation expense over the term that these assets would have been depreciated. Due to this change, we had additional operating expenses of \$22.5 million and \$16.0 million in the first nine months of fiscal 2020 and 2019, respectively. This change in procedure is benefiting the Company through the immediate recognition of tax deductible costs.

We regularly perform reviews to determine whether facts and circumstances exist which indicate that the carrying amount of assets, including estimates of residual value, may not be recoverable or that the useful life of assets are shorter or longer than originally estimated. Reductions in residual values (i.e., the price at which we ultimately expect to dispose of revenue earning equipment) or useful lives will result in an increase in depreciation expense over the life of the equipment. Reviews are performed based on vehicle class, generally subcategories of trucks and trailers. We assess the recoverability of our assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their estimated remaining lives against their respective carrying amounts. We consider factors such as current and expected future market price trends on used vehicles and the expected life of vehicles included in the fleet. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. If asset residual values are determined to be recoverable, but the useful lives are shorter or longer than originally estimated, the net book value of the assets is depreciated over the newly determined remaining useful lives.

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For our box truck fleet, we utilize an accelerated method of depreciation based upon a declining formula. Under the declining balances method (2.4 times declining balance), the book value of a rental truck is reduced approximately 16%, 13%, 11%, 9%, 8%, 7%, and 6% during years one through seven, respectively, and then reduced on a straight-line basis to a salvage value of 15% by the end of year fifteen. Comparatively, a standard straight-line approach would reduce the book value by approximately 5.7% per year over the life of the truck.

Although we intend to sell our used vehicles for prices approximating book value, the extent to which we realize a gain or loss on the sale of used vehicles is dependent upon various factors, including, but not limited to, the general state of the used vehicle market, the age and condition of the vehicle at the time of its disposal and the depreciation rates with respect to the vehicle. We typically sell our used vehicles at our sales centers throughout the United States and Canada, on our website at uhaul.com/trucksales or by phone at 1-866-404-0355. Additionally, we sell a large portion of our pickup and cargo van fleet at automobile dealer auctions.

Insurance Reserves

Liabilities for life insurance and certain annuity and health policies are established to meet the estimated future obligations of policies in force, and are based on mortality, morbidity and withdrawal assumptions from recognized actuarial tables, which contain margins for adverse deviation. In addition, liabilities for health, disability and other policies include estimates of payments to be made on insurance claims for reported losses and estimates of losses incurred, but not yet reported ("IBNR"). Liabilities for annuity contracts consist of contract account balances that accrue to the benefit of the policyholders.

Insurance reserves for Property and Casualty Insurance and U-Haul take into account losses incurred based upon actuarial estimates and are management's best approximation of future payments. These estimates are based upon past claims experience and current claim trends as well as social and economic conditions such as changes in legal theories and inflation. These reserves consist of case reserves for reported losses and a provision for IBNR losses, both reduced by applicable reinsurance recoverables, resulting in a net liability.

Due to the nature of the underlying risks and high degree of uncertainty associated with the determination of the liability for future policy benefits and claims, the amounts to be ultimately paid to settle these liabilities cannot be precisely determined and may vary significantly from the estimated liability, especially for long-tailed casualty lines of business such as excess workers' compensation. As a result of the long-tailed nature of the excess workers' compensation policies written by Repwest from 1983 through 2001, it may take a number of years for claims to be fully reported and finally settled.

On a regular basis management reviews insurance reserve adequacy to determine if existing assumptions need to be updated. In determining the assumptions for calculating workers' compensation reserves, management considers multiple factors including the following:

- Claimant longevity;
- Cost trends associated with claimant treatments;
- Changes in ceding entity and third party administrator reporting practices;
- Changes in environmental factors including legal and regulatory;
- Current conditions affecting claim settlements, and
- Future economic conditions including inflation.

We reserve each claim based upon the accumulation of claim costs projected through each claimant's life expectancy, and then adjust for applicable reinsurance arrangements. Management reviews each claim at least bi-annually, and when facts and circumstances change to determine if the estimated life-time claim costs have increased and then adjusts the reserve estimate accordingly at that time. We factor in an estimate of potential cost increases in our IBNR liability. We do not assume settlement of existing claims in calculating the reserve amount, unless it is in the final stages of completion.

Continued increases in claim costs, including medical inflation and new treatments and medications, could lead to future adverse development resulting in additional reserve strengthening. Conversely, settlement of existing claims or injured workers returning to work or expiring prematurely could lead to future positive development.

Impairment of Investments

Investments are evaluated pursuant to guidance contained in ASC 320 - *Investments - Debt and Equity Securities* to determine if and when a decline in market value below amortized cost is other-than-temporary. Management makes certain assumptions or judgments in its assessment, including, but not limited to, our ability and intent to hold the security, quoted market prices, dealer quotes or discounted cash flows, industry factors, financial factors, and issuer specific information such as credit strength. Other-than-temporary impairment in value is recognized in the current period operating results. There were no write downs in the third quarter of fiscal 2020 or 2019.

Income Taxes

We file a consolidated tax return with all of our legal subsidiaries.

Our tax returns are periodically reviewed by various taxing authorities. The final outcome of these audits may cause changes that could materially impact our financial results.

Fair Values

Fair values of cash equivalents approximate carrying value due to the short period of time to maturity. Fair values of short term investments, investments available-for-sale, long-term investments, mortgage loans and notes on real estate, and interest rate swap contracts are based on quoted market prices, dealer quotes or discounted cash flows. Fair values of trade receivables approximate their recorded value.

Our financial instruments that are exposed to concentrations of credit risk consist primarily of temporary cash investments, trade receivables, reinsurance recoverables and notes receivable. Limited credit risk exists on trade receivables due to the diversity of our customer base and their dispersion across broad geographic markets. We place our temporary cash investments with financial institutions and limit the amount of credit exposure to any one financial institution.

We have mortgage receivables, which potentially expose us to credit risk. The portfolio of notes is principally collateralized by self-storage facilities and commercial properties. We have not experienced any material losses related to the notes from individual or groups of notes in any particular industry or geographic area. The estimated fair values were determined using the discounted cash flow method and using interest rates currently offered for similar loans to borrowers with similar credit ratings.

The carrying amount of long-term debt and short-term borrowings are estimated to approximate fair value as the actual interest rate is consistent with the rate

estimated to be currently available for debt of similar term and remaining maturity.

Other investments, including short-term investments, are substantially current or bear reasonable interest rates. As a result, the carrying values of these financial instruments approximate fair value.

Accounting Pronouncements

Please see Note 16, Accounting Pronouncements, of the Notes to Condensed Consolidated Financial Statements for Adoption of New Accounting Pronouncements and Recent Accounting Pronouncements.

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Results of Operations

AMERCO and Consolidated Entities

Quarter Ended December 31, 2019 compared with the Quarter Ended December 31, 2018

Listed below, on a consolidated basis, are revenues for our major product lines for the third quarter of fiscal 2020 and the third quarter of fiscal 2019:

	Quarter Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands)	
Self-moving equipment rentals	\$ 621,471	\$ 626,136
Self-storage revenues	106,701	93,392
Self-moving and self-storage products and service sales	54,454	55,665
Property management fees	9,098	7,899
Life insurance premiums	31,164	34,778
Property and casualty insurance premiums	19,267	17,668
Net investment and interest income	33,782	32,211
Other revenue	51,943	51,342
Consolidated revenue	<u>\$ 927,880</u>	<u>\$ 919,091</u>

Self-moving equipment rental revenues decreased \$4.7 million during the third quarter of fiscal 2020, compared with the third quarter of fiscal 2019. The decline was a result of a reduction in our Corporate Account business. The third quarter of fiscal 2019 experienced a higher than usual volume of Corporate Account rentals. Outside of that portion of the business, we had revenue increases for both our In-town and one-way markets. We increased the number of retail locations, trucks, trailers and towing devices in the rental fleet compared to the same period last year.

Self-storage revenues increased \$13.3 million during the third quarter of fiscal 2020, compared with the third quarter of fiscal 2019. The average monthly number of occupied units increased by 16%, or 45,000 units, during the third quarter of fiscal 2020 compared with the same period last year. The growth in revenues comes from a combination of occupancy gains at existing locations and from the addition of new facilities to the portfolio. Over the last twelve months, we added approximately 6.1 million net rentable square feet, or an 18% increase, with approximately 1.2 million of that coming on during the third quarter of fiscal 2020.

Sales of self-moving and self-storage products and services decreased \$1.2 million for the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019 due to decreases in the sales of moving supplies and sales of propane.

Life insurance premiums decreased \$3.6 million during the third quarter of fiscal 2020, compared with the third quarter of fiscal 2019 due primarily to decreased life and Medicare supplement premiums.

Property and casualty insurance premiums increased \$1.6 million during the third quarter of fiscal 2020, compared with the third quarter of fiscal 2019. A significant portion of Repwest's premiums are from policies sold in conjunction with U-Haul rental transactions. The premium increase corresponded with the increased moving and storage transactions at U-Haul during the same period.

Net investment and interest income increased \$1.6 million during the third quarter of fiscal 2020, compared with the third quarter of fiscal 2019. The increase was from a larger invested asset base and positive changes in equity valuations offset by a decrease in realized investment gains.

Other revenue increased \$0.6 million during the third quarter of fiscal 2020, compared with the third quarter of fiscal 2019, primarily coming from our U-Box[®] program.

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Listed below are revenues and earnings from operations at each of our operating segments for the third quarter of fiscal 2020 and the third quarter of fiscal 2019. The insurance companies' third quarters ended September 30, 2019 and 2018.

	Quarter Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands)	
Moving and storage		
Revenues	\$ 846,364	\$ 838,928
Earnings from operations before equity in earnings of subsidiaries	61,769	119,959
Property and casualty insurance		
Revenues	25,366	22,146
Earnings from operations	9,884	11,001
Life insurance		
Revenues	58,889	60,435
Earnings from operations	9,190	7,429
Eliminations		
Revenues	(2,739)	(2,418)
Earnings from operations before equity in earnings of subsidiaries	(278)	(287)
Consolidated results		
Revenues	927,880	919,091
Earnings from operations	80,565	138,102

Total costs and expenses increased \$66.3 million during the third quarter of fiscal 2020, compared with the third quarter of fiscal 2019. Operating expenses for Moving and Storage increased \$39.6 million, largely from personnel, liability costs, utility costs and property taxes. Repair costs associated with the rental fleet experienced a \$13.6 million increase during the quarter. Net losses from the disposal of rental equipment increased \$2.9 million. Depreciation expense associated with our rental fleet increased \$16.6 million to \$129.2 million due to a larger fleet. Depreciation expense on all other assets, largely from buildings and improvements, increased \$7.0 million to \$38.8 million.

As a result of the above-mentioned changes in revenues and expenses, earnings from operations decreased \$57.5 million to \$80.6 million for the third quarter of fiscal 2020, compared with \$138.1 million for the third quarter of fiscal 2019.

Interest expense for the third quarter of fiscal 2020 was \$40.0 million, compared with \$34.8 million for the third quarter of fiscal 2019, due to increased borrowings.

Income tax expense was \$9.4 million for the third quarter of fiscal 2020, compared with \$24.4 million for the third quarter of fiscal 2019.

As a result of the above-mentioned items, earnings available to common stockholders were \$30.9 million for the third quarter of fiscal 2020, compared with \$78.6 million for the third quarter of fiscal 2019.

Basic and diluted earnings per share for the third quarter of fiscal 2020 were \$1.58, compared with \$4.01 for the third quarter of fiscal 2019.

The weighted average common shares outstanding basic and diluted were 19,607,788 for the third quarter of fiscal 2020, compared with 19,591,963 for the third quarter of fiscal 2019.

Moving and Storage

Quarter Ended December 31, 2019 compared with the Quarter Ended December 31, 2018

Listed below are revenues for our major product lines at Moving and Storage for the third quarter of fiscal 2020 and the third quarter of fiscal 2019:

	Quarter Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands)	
Self-moving equipment rentals	\$ 622,902	\$ 627,543
Self-storage revenues	106,701	93,392
Self-moving and self-storage products and service sales	54,454	55,665
Property management fees	9,098	7,899
Net investment and interest income	2,351	4,364
Other revenue	50,858	50,065
Moving and Storage revenue	<u>\$ 846,364</u>	<u>\$ 838,928</u>

Self-moving equipment rental revenues decreased \$4.6 million during the third quarter of fiscal 2020, compared with the third quarter of fiscal 2019. The decline was a result of a reduction in our Corporate Account business. The third quarter of fiscal 2019 experienced a higher than usual volume of Corporate Account rentals. Outside of that portion of the business, we had revenue increases for both our In-town and one-way markets. We increased the number of retail locations, trucks, trailers and towing devices in the rental fleet compared to the same period last year.

Self-storage revenues increased \$13.3 million during the third quarter of fiscal 2020, compared with the third quarter of fiscal 2019. The average monthly number of occupied units increased by 16%, or 45,000 units, during the third quarter of fiscal 2020 compared with the same period last year. The growth in revenues comes from a combination of occupancy gains at existing locations and from the addition of new facilities to the portfolio. Over the last twelve months, we added approximately 6.1 million net rentable square feet, or an 18% increase, with approximately 1.2 million of that coming on during the third quarter of fiscal 2020.

Sales of self-moving and self-storage products and services decreased \$1.2 million for the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019 due to decreases in the sales of moving supplies and sales of propane.

Net investment and interest income decreased \$2.0 million during the third quarter of fiscal 2020, compared with the third quarter of fiscal 2019 due to

decreased invested cash balances.

Other revenue increased \$0.8 million during the third quarter of fiscal 2020, compared with the third quarter of fiscal 2019 caused primarily by the U-Box[®] program.

We own and manage self-storage facilities. Self-storage revenues reported in the consolidated financial statements represent Company-owned locations only. Self-storage data for our owned storage locations follows:

	Quarter Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands, except occupancy rate)	
Unit count as of December 31	487	411
Square footage as of December 31	40,835	34,693
Average monthly number of units occupied	323	277
Average monthly occupancy rate based on unit count	66.9%	68.0%
Average monthly square footage occupied	29,318	25,126

Over the last twelve months, we added approximately 6.1 million net rentable square feet of new storage to the system. This was a mix of existing storage locations we acquired and new development. On average, the occupancy rate of this new capacity on the date it was added was 4.0%.

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Total costs and expenses increased \$65.6 million during the third quarter of fiscal 2020, compared with the third quarter of fiscal 2019. Operating expenses increased \$39.6 million, largely from personnel, liability costs, utility costs and property taxes. Repair costs associated with the rental fleet experienced a \$13.6 million increase during the quarter. Net losses from the disposal of rental equipment increased \$2.9 million. Depreciation expense associated with our rental fleet increased \$16.6 million to \$129.2 million due to a larger fleet. Depreciation expense on all other assets, largely from buildings and improvements, increased \$7.0 million to \$38.8 million.

As a result of the above-mentioned changes in revenues and expenses, earnings from operations for Moving and Storage before consolidation of the equity in the earnings of the insurance subsidiaries, decreased \$58.2 million to \$61.8 million for the third quarter of fiscal 2020, compared with \$120.0 million for the third quarter of fiscal 2019.

Equity in the earnings of AMERCO's insurance subsidiaries was \$15.2 million for the third quarter of fiscal 2020, compared with \$14.7 million for the third quarter of fiscal 2019.

As a result of the above-mentioned changes in revenues and expenses, earnings from operations decreased to \$77.0 million for the third quarter of fiscal 2020, compared with \$134.6 million for the third quarter of fiscal 2019.

Property and Casualty Insurance

Quarter Ended September 30, 2019 compared with the Quarter Ended September 30, 2018

Net premiums were \$20.0 million and \$18.1 million for the third quarters ended September 30, 2019 and 2018, respectively. A significant portion of Repwest's premiums are from policies sold in conjunction with U-Haul rental transactions. The premium increase corresponded with the increased moving and storage transactions at U-Haul during the same period.

Net investment and interest income was \$5.3 million and \$4.0 million for the third quarters ended September 30, 2019 and 2018, respectively. The increase in equity valuations of \$4.1 million were offset by a decrease in realized investment gains of \$2.8 million.

Benefits and losses incurred were \$6.2 million and \$1.7 million for the third quarters ended September 30, 2019 and 2018, respectively. The increase was due to unfavorable loss experience.

As a result of the above-mentioned changes in revenues and expenses, pretax earnings from operations were \$9.9 million and \$11.0 million for the third quarters ended September 30, 2019 and 2018, respectively.

Life Insurance

Quarter Ended September 30, 2019 compared with the Quarter Ended September 30, 2018

Net premiums were \$31.2 million and \$34.8 million for the third quarters ended September 30, 2019 and 2018, respectively. Medicare Supplement premiums decreased by \$2.8 million due to the minimal new sales and policy decrements on the existing business offset by premium rate increases. Premiums on the remaining lines of business decreased \$0.8 million. Deferred annuity deposits were \$50.6 million or \$55.7 million below prior year and are accounted for on the balance sheet as deposits rather than premiums.

Net investment income was \$26.6 million and \$24.2 million for the third quarters ended September 30, 2019 and 2018, respectively. Net investment income from fixed maturities increased \$2.3 million from a larger invested assets base.

Net operating expenses were \$5.0 million and \$5.2 million for the third quarters ended September 30, 2019 and 2018, respectively. The decrease was due to a reduction in commission expenses.

Benefits and losses incurred were \$36.7 million and \$41.1 million for the third quarters ended September 30, 2019 and 2018, respectively. The decrease was due to a \$2.8 million reduction in Medicare Supplement benefits from the declining policies in force, along with a \$1.7 million decrease in life insurance benefits primarily due to the termination of a life reinsurance contract with one of our reinsurers in the fourth quarter of 2018. Benefits on the remaining lines of business increased \$0.1 million.

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Amortization of deferred acquisition costs ("DAC"), sales inducement asset ("SIA") and the value of business acquired ("VOBA") was \$8.0 million and \$6.7 million for the third quarters ended September 30, 2019 and 2018, respectively. The increase was primarily due to the increased DAC amortization on annuities.

As a result of the above-mentioned changes in revenues and expenses, pretax earnings from operations were \$9.2 million and \$7.4 million for the third quarters ended September 30, 2019 and 2018, respectively.

AMERCO and Consolidated Entities

Nine Months Ended December 31, 2019 compared with the Nine Months Ended December 31, 2018

Listed below on a consolidated basis are revenues for our major product lines for the first nine months of fiscal 2020 and the first nine months of fiscal 2019:

	Nine Months Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands)	
Self-moving equipment rentals	\$ 2,174,392	\$ 2,124,451
Self-storage revenues	309,940	271,097
Self-moving and self-storage products and service sales	207,601	207,819
Property management fees	23,487	22,507
Life insurance premiums	96,229	107,586
Property and casualty insurance premiums	51,056	46,732
Net investment and interest income	102,629	85,043
Other revenue	192,009	177,940
Consolidated revenue	<u>\$ 3,157,343</u>	<u>\$ 3,043,175</u>

Self-moving equipment rental revenues increased \$49.9 million during the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019. Revenue and transactions for both our In-town and one-way markets improved for trucks and trailers. We increased the number of retail locations, trucks, trailers and towing devices in the rental fleet compared to the same period last year.

Self-storage revenues increased \$38.8 million during the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019. The average monthly number of occupied units increased by 16%, or 44,000 units, during the first nine months of fiscal 2020 compared with the same period last year. The growth in revenues comes from a combination of occupancy gains at existing locations and from the addition of new facilities to the portfolio. Over the last twelve months, we added approximately 6.1 million net rentable square feet, or an 18% increase, with approximately 4.6 million of that coming on during the first nine months of fiscal 2020.

Sales of self-moving and self-storage products and services decreased \$0.2 million for the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019.

Life insurance premiums decreased \$11.4 million during the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019 due primarily to decreased Medicare supplement premiums.

Property and casualty insurance premiums increased \$4.3 million during the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019. A significant portion of Repwest's premiums are from policies sold in conjunction with U-Haul rental transactions. The premium increase corresponded with the increased moving and storage transactions at U-Haul during the same period.

Net investment and interest income increased \$17.6 million during the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019. Changes in the market value of unaffiliated common stocks held in our insurance subsidiary accounted for \$8.0 million of the increase.

Other revenue increased \$14.1 million during the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019, primarily coming from growth in our U-Box[®] program.

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Listed below are revenues and earnings from operations at each of our operating segments for the first nine months of fiscal 2020 and the first nine months of fiscal 2019. The insurance companies' first nine months ended September 30, 2019 and 2018.

	Nine Months Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands)	
Moving and storage		
Revenues	\$ 2,916,314	\$ 2,813,747
Earnings from operations before equity in earnings of subsidiaries	492,652	556,228
Property and casualty insurance		
Revenues	69,199	58,557
Earnings from operations	27,442	21,573
Life insurance		
Revenues	179,069	177,910
Earnings from operations	19,912	16,812
Eliminations		
Revenues	(7,239)	(7,039)
Earnings from operations before equity in earnings of subsidiaries	(836)	(863)
Consolidated results		
Revenues	3,157,343	3,043,175
Earnings from operations	539,170	593,750

Total costs and expenses increased \$168.7 million during the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019. Operating expenses for Moving and Storage increased \$112.9 million, largely from personnel, liability costs, freight expense, utility costs and property taxes. Repair costs associated with the rental fleet experienced a \$15.0 million increase. Net gains from the disposal of rental equipment increased \$3.4 million. Depreciation expense associated with our rental fleet increased \$42.1 million to \$383.6 million due to a larger fleet. Depreciation expense on all other assets, largely from buildings and improvements, increased \$21.0 million to \$111.2 million. Gains on the disposal of real estate increased \$1.3 million mostly due to the condemnation of a property in the first quarter of fiscal 2020.

As a result of the above-mentioned changes in revenues and expenses, earnings from operations decreased to \$539.2 million for the first nine months of fiscal 2020, as compared with \$593.8 million for the first nine months of fiscal 2019.

Interest expense for the first nine months of fiscal 2020 was \$118.0 million, compared with \$105.1 million for the first nine months of fiscal 2019, primarily due to increased borrowings.

Income tax expense was \$100.7 million for the first nine months of fiscal 2020, compared with \$117.9 million for first nine months of fiscal 2019.

As a result of the above-mentioned items, earnings available to common shareholders were \$319.7 million for the first nine months of fiscal 2020, compared with \$370.0 million for the first nine months of fiscal 2019.

Basic and diluted earnings per common share for the first nine months of fiscal 2020 were \$16.31, compared with \$18.89 for the first nine months of fiscal 2019.

The weighted average common shares outstanding basic and diluted were 19,602,484 for the first nine months of fiscal 2020, compared with 19,591,282 for the first nine months of fiscal 2019.

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Moving and Storage

Nine Months Ended December 31, 2019 compared with the Nine Months Ended December 31, 2018

Listed below are revenues for the major product lines at our Moving and Storage operating segment for the first nine months of fiscal 2020 and the first nine months of fiscal 2019:

	Nine Months Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands)	
Self-moving equipment rentals	\$ 2,177,697	\$ 2,128,120
Self-storage revenues	309,940	271,097
Self-moving and self-storage products and service sales	207,601	207,819
Property management fees	23,487	22,507
Net investment and interest income	8,649	9,757
Other revenue	188,940	174,447
Moving and Storage revenue	<u>\$ 2,916,314</u>	<u>\$ 2,813,747</u>

Self-moving equipment rental revenues increased \$49.6 million during the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019. Revenue and transactions for both our In-town and one-way markets improved for trucks and trailers. We increased the number of retail locations, trucks, trailers and towing devices in the rental fleet compared to the same period last year.

Self-storage revenues increased \$38.8 million during the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019. The average monthly number of occupied units increased by 16%, or 44,000 units, during the first nine months of fiscal 2020 compared with the same period last year. The growth in revenues comes from a combination of occupancy gains at existing locations and from the addition of new facilities to the portfolio. Over the last twelve months, we added approximately 6.1 million net rentable square feet, or an 18% increase, with approximately 4.6 million of that coming on during the first nine months of fiscal 2020.

Sales of self-moving and self-storage products and services decreased \$0.2 million for the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019.

Net investment and interest income decreased \$1.1 million during the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019 due to decreased invested cash balances.

Other revenue increased \$14.5 million during the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019, primarily coming from growth in our U-Box[®] program.

We own and manage self-storage facilities. Self-storage revenues reported in the consolidated financial statements represent Company-owned locations only. Self-storage data for our owned storage locations follows:

	Nine Months Ended December 31,	
	2019	2018
	(Unaudited)	
	(In thousands, except occupancy rate)	
Unit count as of December 31	487	411
Square footage as of December 31	40,835	34,693
Average monthly number of units occupied	316	272
Average monthly occupancy rate based on unit count	68.2%	69.4%
Average monthly square footage occupied	28,646	24,553

Over the last twelve months, we added approximately 6.1 million net rentable square feet of new storage to the system. This was a mix of existing storage locations we acquired and new development. On average, the occupancy rate of this new capacity on the date it was added was 4.0%.

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Total costs and expenses increased \$166.1 million during the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019. Operating expenses increased \$112.9 million, largely from personnel, liability costs, freight expense, utility costs and property taxes. Repair costs associated with the rental fleet experienced a \$15.0 million increase. Net gains from the disposal of rental equipment increased \$3.4 million. Depreciation expense associated with our rental fleet increased \$42.1 million to \$383.6 million due to a larger fleet. Depreciation expense on all other assets, largely from buildings and improvements, increased \$21.0 million to \$111.2 million. Gains on the disposal of real estate increased \$1.3 million mostly due to the condemnation of a property in the first quarter of fiscal 2020.

As a result of the above-mentioned changes in revenues and expenses, earnings from operations for Moving and Storage before consolidation of the equity in the earnings of the insurance subsidiaries decreased to \$492.7 million for the first nine months of fiscal 2020, compared with \$556.2 million for the first nine months of fiscal 2019.

Equity in the earnings of AMERCO's insurance subsidiaries was \$37.9 million for the first nine months of fiscal 2020, compared with \$30.3 million for the first nine months of fiscal 2019.

As a result of the above-mentioned changes in revenues and expenses, earnings from operations decreased to \$530.6 million for the first nine months of fiscal 2020, compared with \$586.5 million for the first nine months of fiscal 2019.

Property and Casualty Insurance

Nine Months Ended September 30, 2019 compared with the Nine Months Ended September 30, 2018

Net premiums were \$53.4 million and \$48.4 million for the nine months ended September 30, 2019 and 2018, respectively. A significant portion of Repwest's premiums are from policies sold in conjunction with U-Haul rental transactions. The premium increase corresponded with the increased moving and storage transactions at U-Haul during the same period.

Net investment and interest income was \$15.8 million and \$10.1 million for the nine months ended September 30, 2019 and 2018, respectively. The increase in equity valuations of \$8.0 million were offset by a decrease in realized investment gains of \$2.8 million.

Net operating expenses were \$26.8 million and \$26.0 million for the nine months ended September 30, 2019 and 2018, respectively. The change was due to an increase in commissions, decreased loss adjusting fees and subrogation income.

Benefits and losses incurred were \$15.0 million and \$11.0 million for the nine months ended September 30, 2019 and 2018, respectively. The increase was due to unfavorable loss experience.

As a result of the above-mentioned changes in revenues and expenses, pretax earnings from operations were \$27.4 million and \$21.6 million for the nine months ended September 30, 2019 and 2018, respectively.

Life Insurance

Nine Months Ended September 30, 2019 compared with the Nine Months Ended September 30, 2018

Net premiums were \$96.2 million and \$107.6 million for the nine months ended September 30, 2019 and 2018, respectively. Medicare Supplement premiums decreased by \$8.5 million due to the minimal new sales and declined premiums on the existing business offset by rate increases on renewal premiums. Life premiums decreased by \$1.8 million, primarily due to the termination of a reinsurance contract with one of our reinsurers in the fourth quarter of 2018. In addition, the remaining lines of business premiums decreased by \$1.1 million. Deferred annuity deposits were \$156.5 million or \$114.5 million below prior year and are accounted for on balance sheet as deposits rather than premiums.

Net investment income was \$79.4 million and \$66.4 million for the nine months ended September 30, 2019 and 2018, respectively. Net investment income from fixed maturities increased \$9.6 million from a larger invested assets base. The increase in realized capital gains and mortgage prepayment gain was \$4.1 million, coupled with a \$2.9 million increase in realized gain on derivatives used as hedges for our fixed indexed annuities. This was partially offset by a \$3.6 million decrease in the investment income from other invested assets, primarily from a reduced allocation to mortgage loans.

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Net operating expenses were \$15.8 million and \$16.3 million for the nine months ended September 30, 2019 and 2018, respectively. The decrease was primarily due to decreased commission expense.

Benefits and losses incurred were \$122.7 million and \$126.2 million for the nine months ended September 30, 2019 and 2018, respectively. The decrease was due to a \$8.6 million reduction in Medicare supplement benefits from the declined policies in force along with a \$3.7 million decrease in life insurance benefits and supplementary annuity contract disbursements. This was partially offset by an \$8.8 million increase in interest credited to policyholders on a larger annuity deposit base.

Amortization of DAC, SIA and VOBA was \$20.6 million and \$18.6 million for the nine months ended September 30, 2019 and 2018, respectively. The increase was primarily due to a higher DAC amortization on annuities from the increased asset base supported by continued sales.

As a result of the above-mentioned changes in revenues and expenses, pretax earnings from operations were \$19.9 million and \$16.8 million for the nine months ended September 30, 2019 and 2018, respectively.

Liquidity and Capital Resources

We believe our current capital structure is a positive factor that will enable us to pursue our operational plans and goals and provide us with sufficient liquidity for the foreseeable future. There are many factors that could affect our liquidity, including some which are beyond our control, and there is no assurance that future cash flows and liquidity resources will be sufficient to meet our outstanding debt obligations and our other future capital needs.

As of December 31, 2019, cash and cash equivalents totaled \$632.0 million, compared with \$673.7 million as of March 31, 2019. The assets of our insurance subsidiaries are generally unavailable to fulfill the obligations of non-insurance operations (Moving and Storage). As of December 31, 2019 (or as otherwise indicated), cash and cash equivalents, other financial assets (receivables, short-term investments, other investments, fixed maturities, and related party assets) and debt obligations of each operating segment were:

	<u>Moving & Storage</u>	<u>Property & Casualty Insurance (a)</u>	<u>Life Insurance (a)</u>
		(Unaudited)	
		(In thousands)	
Cash and cash equivalents	\$ 604,176	\$ 5,868	\$ 21,907
Other financial assets	145,381	480,732	2,459,926
Debt obligations	4,548,609	-	-

(a) As of September 30, 2019

As of December 31, 2019, Moving and Storage had additional cash available under existing credit facilities of \$55.0 million. The majority of invested cash at the Moving and Storage segment is held in government money market funds.

Net cash provided by operating activities increased \$74.3 million in the first nine months of fiscal 2020 compared with the first nine months of fiscal 2019. The increase was primarily due to the timing of the settlement of receivables, payables and intercompany transactions.

Net cash used in investing activities increased \$418.1 million in the first nine months of fiscal 2020, compared with the first nine months of fiscal 2019. Purchases of property, plant and equipment, which are reported net of cash from sales and lease-back transactions, increased \$592.5 million. Cash from the sales of property, plant and equipment increased \$37.9 million largely due to reduced fleet sales. For our insurance subsidiaries, net cash used in investing activities decreased \$125.4 million due to reduced investment purchases.

Net cash provided by financing activities increased \$62.5 million in the first nine months of fiscal 2020, as compared with the first nine months of fiscal 2019. This was due to a combination of decreased debt payments of \$29.8 million, increased finance/capital lease repayments of \$10.5 million, an increase in cash from borrowings of \$174.7 million, a decrease in net annuity deposits from Life Insurance of \$142.8 million, and a decrease in dividends paid of \$9.8 million.

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Liquidity and Capital Resources and Requirements of Our Operating Segments

Moving and Storage

To meet the needs of our customers, U-Haul maintains a large fleet of rental equipment. Capital expenditures have primarily consisted of new rental equipment acquisitions and the buyouts of existing fleet from leases. The capital to fund these expenditures has historically been obtained internally from operations and the sale of used equipment and externally from debt and lease financing. In the future, we anticipate that our internally generated funds will be used to service the existing debt and fund operations. U-Haul estimates that during fiscal 2020, we will reinvest in our truck and trailer rental fleet approximately \$710 million, net of equipment sales excluding any lease buyouts. Through the first nine months of fiscal 2020, we have invested, net of equipment sales, \$570 million before any lease buyouts in our truck and trailer fleet of this projected amount. Fleet investments in fiscal 2020 and beyond will be dependent upon several factors, including availability of capital, the truck rental environment and the used-truck sales market. We anticipate that the fiscal 2020 investments will be funded largely through debt financing, external lease financing and cash from operations. Management considers several factors, including cost and tax consequences, when selecting a method to fund capital expenditures. Our allocation between debt and lease financing can change from year to year based upon financial market conditions, which may alter the cost or availability of financing options.

Real Estate has traditionally financed the acquisition of self-storage properties to support U-Haul's growth through debt financing and funds from operations and sales. Our plan for the expansion of owned storage properties includes the acquisition of existing self-storage locations from third parties, the acquisition and development of bare land, and the acquisition and redevelopment of existing buildings not currently used for self-storage. We are funding these development projects through loans and internally generated funds. For the first nine months of fiscal 2020, we invested \$600 million in real estate acquisitions, new construction and renovation and major repairs. For fiscal 2020, the timing of new projects will be dependent upon several factors, including the entitlement process, availability of capital, weather, and the identification and successful acquisition of target properties. U-Haul's growth plan in self-storage also includes the expansion of the U-Haul Storage Affiliate program, which does not require significant capital.

Net capital expenditures (purchases of property, plant and equipment less proceeds from the sale of property, plant and equipment and lease proceeds) were \$1,318.1 million and \$763.5 million for the first nine months of fiscal 2020 and 2019, respectively. The components of our net capital expenditures are provided in the following table:

	<u>Nine Months Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
		(Unaudited)
		(In thousands)
Purchases of rental equipment	\$ 1,160,892	\$ 882,186
Equipment lease buyouts	61,781	18,697
Purchases of real estate, construction and renovations	599,815	639,268
Other capital expenditures	95,374	40,500
Gross capital expenditures	<u>1,917,862</u>	<u>1,580,651</u>
Less: Lease proceeds	-	(255,286)
Less: Sales of property, plant and equipment	(599,797)	(561,848)
Net capital expenditures	<u>\$ 1,318,065</u>	<u>\$ 763,517</u>

Moving and Storage continues to hold significant cash and has access to additional liquidity. Management may invest these funds in our existing operations, expand our product lines or pursue external opportunities in the self-moving and storage marketplace or reduce existing indebtedness where possible.

Property and Casualty Insurance

State insurance regulations restrict the amount of dividends that can be paid to stockholders of insurance companies. As a result, Property and Casualty

Insurance's assets are generally not available to satisfy the claims of AMERCO or its legal subsidiaries. In September 2019, Repwest paid AMERCO a \$21.6 million dividend.

We believe that stockholders' equity at Property and Casualty Insurance remains sufficient, and we do not believe that its ability to pay ordinary dividends to AMERCO will be restricted per state regulations.

Property and Casualty Insurance's stockholder's equity was \$239.6 million and \$222.4 million as of September 30, 2019 and December 31, 2018, respectively. The increase resulted from net earnings of \$21.7 million, an increase in other comprehensive income of \$17.0 million offset by the \$21.6 million dividend paid to AMERCO. Property and Casualty Insurance does not use debt or equity issues to increase capital and therefore has no direct exposure to capital market conditions other than through its investment portfolio.

Life Insurance

Life Insurance manages its financial assets to meet policyholder and other obligations, including investment contract withdrawals and deposits. Life Insurance's net deposits for the nine months as of September 30, 2019 were \$48.5 million. State insurance regulations restrict the amount of dividends that can be paid to stockholders of insurance companies. As a result, Life Insurance's assets are generally not available to satisfy the claims of AMERCO or its legal subsidiaries.

Life Insurance's stockholder's equity was \$418.4 million and \$311.7 million as of September 30, 2019 and December 31, 2018, respectively. The increase resulted from net earnings of \$16.2 million and an increase in other comprehensive income of \$90.5 million primarily due to the effect of interest rate changes on the fixed maturity portion of the investment portfolio. Life Insurance has not historically used debt or equity issues to increase capital and therefore has not had any significant direct exposure to capital market conditions other than through its investment portfolio. However, as of September 30, 2019, Oxford had outstanding deposits of \$60.0 million through its membership in the FHLB system. For a more detailed discussion of this deposit, please see Note 4, Borrowings, of the Notes to Condensed Consolidated Financial Statements.

Cash Provided from Operating Activities by Operating Segments

Moving and Storage

Net cash provided from operating activities were \$872.2 million and \$813.1 million for the first nine months of fiscal 2020 and 2019, respectively. The increase was primarily due to the timing of the settlement of receivables, payables and intercompany transactions.

Property and Casualty Insurance

Net cash provided by operating activities were \$19.8 million and \$17.2 million for the first nine months ended September 30, 2019 and 2018, respectively. The increase was the result of an increase in net earnings.

Property and Casualty Insurance's cash and cash equivalents and short-term investment portfolios amounted to \$11.5 million and \$11.2 million as of September 30, 2019 and December 31, 2018, respectively. These balances reflect funds in transition from maturity proceeds to long-term investments. Management believes this level of liquid assets, combined with budgeted cash flow, is adequate to meet foreseeable cash needs. Capital and operating budgets allow Property and Casualty Insurance to schedule cash needs in accordance with investment and underwriting proceeds.

Life Insurance

Net cash provided by operating activities were \$61.0 million and \$48.4 million for the first nine months ended September 30, 2019 and 2018, respectively. The increase in operating cash flows was primarily due to an increase in investment income on a larger invested assets base and decrease in commissions expense on reduced premiums along with timing of settlement of payables.

In addition to cash flows from operating activities and financing activities, a substantial amount of liquid funds are available through Life Insurance's short-term portfolio and its membership in the FHLB. As of September 30, 2019 and December 31, 2018, cash and cash equivalents and short-term investments amounted to \$42.0 million and \$24.1 million, respectively. Management believes that the overall sources of liquidity are adequate to meet foreseeable cash needs.

Liquidity and Capital Resources - Summary

We believe we have the financial resources needed to meet our business plans, including our working capital needs. We continue to hold significant cash and have access to existing credit facilities and additional liquidity to meet our anticipated capital expenditure requirements for investment in our rental fleet, rental equipment and storage acquisitions and build outs.

Our borrowing strategy is primarily focused on asset-backed financing and rental equipment leases. As part of this strategy, we seek to ladder maturities and fix interest rates. While each of these loans typically contains provisions governing the amount that can be borrowed in relation to specific assets, the overall structure is flexible with no limits on overall Company borrowings. Management believes it has adequate liquidity between cash and cash equivalents and unused borrowing capacity in existing credit facilities to meet the current and expected needs of the Company over the next several years. As of December 31, 2019, we had available borrowing capacity under existing credit facilities of \$55.5 million. It is possible that circumstances beyond our control could alter the ability of the financial institutions to lend us the unused lines of credit. We believe that there are additional opportunities for leverage in our existing capital structure. For a more detailed discussion of our long term debt and borrowing capacity, please see Note 4, Borrowings, of the Notes to Condensed Consolidated Financial Statements.

Fair Value of Financial Instruments

Certain assets and liabilities are recorded at fair value on the condensed consolidated balance sheets and are measured and classified based upon a three tiered approach to valuation. ASC 820 requires that financial assets and liabilities recorded at fair value be classified and disclosed in a Level 1, Level 2 or Level 3 category. For more information, please see Note 14, Fair Value Measurements, of the Notes to Condensed Consolidated Financial Statements.

The available-for-sale securities held by us are recorded at fair value. These values are determined primarily from actively traded markets where prices are based either on direct market quotes or observed transactions. Liquidity is a factor considered during the determination of the fair value of these securities. Market price quotes may not be readily available for certain securities or the market for them has slowed or ceased. In situations where the market is determined to be illiquid, fair value is determined based upon limited available information and other factors, including expected cash flows. As of December 31, 2019, we had \$0.2 million of available-for-sale assets classified in Level 3.

The interest rate swaps held by us as hedges against interest rate risk for our variable rate debt are recorded at fair value. These values are determined using

pricing valuation models, which include broker quotes for which significant inputs are observable. They include adjustments for counterparty credit quality and other deal-specific factors, where appropriate, and are classified as Level 2.

Disclosures about Contractual Obligations and Commercial Commitments

Our estimates as to future contractual obligations have not materially changed from the disclosure included under the subheading Disclosures about Contractual Obligations and Commercial Commitments in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the fiscal year ended March 31, 2019.

Off-Balance Sheet Arrangements

We use off-balance sheet arrangements in situations where management believes that the economics and sound business principles warrant their use.

Historically, we have used off-balance sheet arrangements in connection with the expansion of our self-storage business. For more information please see Note 10, Related Party Transactions, of the Notes to Condensed Consolidated Financial Statements. These arrangements were primarily used when our overall borrowing structure was more limited. We do not face similar limitations currently and off-balance sheet arrangements have not been utilized in our self-storage expansion in recent years. In the future, we will continue to identify and consider off-balance sheet opportunities to the extent such arrangements would be economically advantageous to us and our stockholders.

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Fiscal 2020 Outlook

We will continue to focus our attention on increasing transaction volume and improving pricing, product and utilization for self-moving equipment rentals. Maintaining an adequate level of new investment in our truck fleet is an important component of our plan to meet our operational goals. Revenue in the U-Move[®] program could be adversely impacted should we fail to execute in any of these areas. Even if we execute our plans, we could see declines in revenues primarily due to unforeseen events including adverse economic conditions or heightened competition that is beyond our control.

With respect to our storage business, we have added new locations and expanded at existing locations. In fiscal 2020, we are actively looking to acquire new locations, complete current projects and increase occupancy in our existing portfolio of locations. New projects and acquisitions will be considered and pursued if they fit our long-term plans and meet our financial objectives. We will continue to invest capital and resources in the U-Box[®] program throughout fiscal 2020.

Property and Casualty Insurance will continue to provide loss adjusting and claims handling for U-Haul and underwrite components of the Safemove[®], Safetow[®], Safemove Plus[®], Safestor[®] and Safestor Mobile[®] protection packages to U-Haul customers.

Life Insurance is pursuing its goal of expanding its presence in the senior market through the sales of its Medicare supplement, life and annuity policies. This strategy includes growing its agency force, expanding its new product offerings, and pursuing business acquisition opportunities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to financial market risks, including changes in interest rates and currency exchange rates. To mitigate these risks, we may utilize derivative financial instruments, among other strategies. We do not use derivative financial instruments for speculative purposes.

Interest Rate Risk

The exposure to market risk for changes in interest rates relates primarily to our variable rate debt obligations and one variable rate operating lease. We have used interest rate swap agreements and forward swaps to reduce our exposure to changes in interest rates. We enter into these arrangements with counterparties that are significant financial institutions with whom we generally have other financial arrangements. We are exposed to credit risk should these counterparties not be able to perform on their obligations. Following is a summary of our interest rate swap agreements as of December 31, 2019:

	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Fixed Rate</u>	<u>Floating Rate</u>
	(Unaudited)					
	(In thousands)					
\$	85,000	\$ (475)	6/28/2019	6/15/2022	1.76%	1 Month LIBOR
	75,000	(460)	6/28/2019	6/30/2022	1.78%	1 Month LIBOR
	75,000	(480)	6/28/2019	10/31/2022	1.77%	1 Month LIBOR

As of December 31, 2019, we had \$1,115.4 million of variable rate debt obligations. If LIBOR were to increase 100 basis points, the increase in interest expense on the variable rate debt would decrease future earnings and cash flows by \$8.8 million annually (after consideration of the effect of the above derivative contracts). 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.

Additionally, our insurance subsidiaries' fixed income investment portfolios expose us to interest rate risk. This interest rate risk is the price sensitivity of a fixed income security to changes in interest rates. As part of our insurance companies' asset and liability management, actuaries estimate the cash flow patterns of our existing liabilities to determine their duration. These outcomes are compared to the characteristics of the assets that are currently supporting these liabilities assisting management in determining an asset allocation strategy for future investments that management believes will mitigate the overall effect of interest rates.

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We use derivatives to hedge our equity market exposure to indexed annuity products sold by our Life Insurance company. These contracts earn a return for the contractholder based on the change in the value of the S&P 500 index between annual index point dates. We buy and sell listed equity and index call options and call option spreads. The credit risk is with the party in which the options are written. The net option price is paid up front and there are no additional cash requirements or additional contingent liabilities. These contracts are held at fair market value on our balance sheet. As of September 30, 2019 and December 31, 2018, these derivative hedges had a net market value of \$4.7 million and \$1.5 million, with notional amounts of \$264.3 million and \$284.0 million, respectively. These derivative instruments are included in Investments, other, on the consolidated balance sheets.

Although the call options are employed to be effective hedges against our policyholder obligations from an economic standpoint, they do not meet the

requirements for hedge accounting under GAAP. Accordingly, the call options are marked to fair value on each reporting date with the change in fair value, plus or minus, included as a component of net investment and interest income. The change in fair value of the call options includes the gains or losses recognized at the expiration of the option term and the changes in fair value for open contracts.

Foreign Currency Exchange Rate Risk

The exposure to market risk for changes in foreign currency exchange rates relates primarily to our Canadian business. Approximately 4.7% and 4.6% of our revenue was generated in Canada during the first nine months of fiscal 2020 and 2019, respectively. The result of a 10.0% change in the value of the U.S. dollar relative to the Canadian dollar would not be material to net income. We typically do not hedge any foreign currency risk since the exposure is not considered material.

Additionally, our insurance subsidiaries' fixed income investment portfolios expose us to interest rate risk. This interest rate risk is the price sensitivity of a fixed income security to changes in interest rates. As part of our insurance companies' asset and liability management, actuaries estimate the cash flow patterns of our existing liabilities to determine their duration. These outcomes are compared to the characteristics of the assets that are currently supporting these liabilities, assisting management in determining an asset allocation strategy for future investments that management believes will mitigate the overall effect of interest rates.

Cautionary Statements Regarding Forward-Looking Statements

This Quarterly Report contains "forward-looking statements" regarding future events and our future results of operations. We may make additional written or oral forward-looking statements from time to time in filings with the SEC or otherwise. We believe such forward-looking statements are within the meaning of the safe-harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such statements may include, but are not limited to, estimates of capital expenditures, plans for future operations, products or services, financing needs, plans and strategies, our perceptions of our legal positions and anticipated outcomes of government investigations and pending litigation against us, liquidity and the availability of financial resources to meet our needs, goals and strategies, plans for new business, storage occupancy, growth rate assumptions, pricing, costs, and access to capital and leasing markets, the impact of our compliance with environmental laws and cleanup costs, our beliefs regarding our sustainable practices, our used vehicle disposition strategy, the sources and availability of funds for our rental equipment and self-storage expansion and replacement strategies and plans, our plan to expand our U-Haul storage affiliate program, that additional leverage can be supported by our operations and business, the availability of alternative vehicle manufacturers, our estimates of the residual values of our equipment fleet, our plans with respect to off-balance sheet arrangements, our plans to continue to invest in the U-Box[®] program, the impact of interest rate and foreign currency exchange rate changes on our operations, the sufficiency of our capital resources and the sufficiency of capital of our insurance subsidiaries as well as assumptions relating to the foregoing. The words "believe," "expect," "anticipate," "plan," "may," "will," "could," "estimate," "project" and similar expressions identify forward-looking statements, which speak only as of the date the statement was made.

Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Factors that could significantly affect results include, without limitation, the degree and nature of our competition; our leverage; general economic conditions; fluctuations in our costs to maintain and update our fleet and facilities; the limited number of manufacturers that supply our rental trucks; our ability to effectively hedge our variable interest rate debt; that we are controlled by a small

contingent of stockholders; fluctuations in quarterly results and seasonality; changes in, and our compliance with, government regulations, particularly environmental regulations and regulations relating to motor carrier operations; outcomes of litigation; our reliance on our third party dealer network; liability claims relating to our rental vehicles and equipment; our ability to attract, motivate and retain key employees; reliance on our automated systems and the internet; our credit ratings; our ability to recover under reinsurance arrangements and other factors described in our Annual Report on Form 10-K in Item 1A, Risk Factors, and in this Quarterly Report or the other documents we file with the SEC. The above factors, as well as other statements in this Quarterly Report and in the Notes to Condensed Consolidated Financial Statements, could contribute to or cause such risks or uncertainties, or could cause our stock price to fluctuate dramatically. Consequently, the forward-looking statements should not be regarded as representations or warranties by us that such matters will be realized. We assume no obligation to update or revise any of the forward-looking statements, whether in response to new information, unforeseen events, changed circumstances or otherwise, except as required by law.

Item 4. Controls and Procedures

Attached as exhibits to this Quarterly Report are certifications of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), which are required in accordance with Rule 13a-14 of the Exchange Act. This "Controls and Procedures" section includes information concerning the controls and procedures evaluation referred to in the certifications and it should be read in conjunction with the certifications for a more complete understanding of the topics presented in the section titled Evaluation of Disclosure Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of the CEO and CFO, conducted an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures" (as such term is defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) ("Disclosure Controls") as of the end of the most recently completed fiscal quarter covered by this Quarterly Report. Our Disclosure Controls are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act, such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our Disclosure Controls are also designed to ensure that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Based upon the controls evaluation, our CEO and CFO have concluded that as of the end of the period covered by this Quarterly Report, our Disclosure Controls were effective at a reasonable assurance level related to the above stated design purposes.

Inherent Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our Disclosure Controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of our controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f) during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

The information regarding our legal proceedings in Note 9, Contingencies, of the Notes to Condensed Consolidated Financial Statements is incorporated by reference herein.

Item 1A. Risk Factors

We are not aware of any material updates to the risk factors described in our previously filed Annual Report on Form 10-K for the fiscal year ended March 31, 2019.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The following documents are filed as part of this report:

<u>Exhibit Number</u>	<u>Description</u>	<u>Page or Method of Filing</u>
3.1	Amended and Restated Articles of Incorporation of AMERCO	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on June 9, 2016, file no. 1-11255
3.2	Restated Bylaws of AMERCO	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on September 5, 2013, file no. 1-11255
4.1	Thirty-sixth Supplemental Indenture and Pledge and Security Agreement dated May 3, 2019, by and between AMERCO and U.S. Bank National Association, as trustee	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on May 3, 2019, file no. 1-11255
4.2	Thirty-seventh Supplemental Indenture and Pledge and Security Agreement dated Dec 10, 2019 by and between AMERCO and U.S. Bank National Association, as trustee	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on December 10, 2019, file no. 1-11255
31.1	Rule 13a-14(a)/15d-14(a) Certificate of Edward J. Shoen, President and Chairman of the Board of AMERCO	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certificate of Jason A. Berg, Chief Financial Officer of AMERCO	Filed herewith
32.1	Certificate of Edward J. Shoen, President and Chairman of the Board of AMERCO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith

Exhibit Number	Description	Page or Method of Filing
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32.2	Certificate of Jason A. Berg, Chief Financial Officer of AMERCO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 5, 2020

/s/ Edward J. Shoen

Edward J. Shoen
President and Chairman of the Board
(Duly Authorized Officer)

Date: February 5, 2020

/s/ Jason A. Berg

Jason A. Berg
Chief Financial Officer
(Principal Financial Officer)

Date: February 5, 2020

/s/ Maria L. Bell

Maria L. Bell
Chief Accounting Officer

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Rule 13a-14(a)/15d-14(a) Certification

I, Edward J. Shoen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AMERCO;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - A. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - B. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - C. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - D. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - A. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Edward J. Shoen

Edward J. Shoen
President and Chairman of the Board

Date: February 5, 2020

Rule 13a-14(a)/15d-14(a) Certification

I, Jason A. Berg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AMERCO;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - A. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - A. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - B. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - C. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - A. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Jason A. Berg

Jason A. Berg
Chief Financial Officer

Date: February 5, 2020

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Form 10-Q for the quarter ended December 31, 2019 of AMERCO (the "Company"), as filed with the Securities and Exchange Commission on February 5, 2020 (the "Report"), I, Edward J. Shoen, President and Chairman of the Board of the Company, certify, to the best of my knowledge and belief, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

AMERCO

a Nevada corporation

/s/ Edward J. Shoen

Edward J. Shoen
President and Chairman of the Board

Date: February 5, 2020

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Form 10-Q for the quarter ended December 31, 2019 of AMERCO (the "Company"), as filed with the Securities and Exchange Commission on February 5, 2020 (the "Report"), I, Jason A. Berg, Chief Financial Officer of the Company, certify, to the best of my knowledge and belief, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

AMERCO

a Nevada corporation

/s/ Jason A. Berg

Jason A. Berg
Chief Financial Officer

Date: February 5, 2020