AMERCO /NV/
Form 10-Q
November 05, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)
R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended September 30, 2008

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.
1-11255	AMERCO (A Nevada Corporation) 1325 Airmotive Way, Ste. 100 Reno, Nevada 89502-3239 Telephone (775) 688-6300	88-0106815

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 R No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of a “large accelerated filer,” “accelerated filer,” “non-accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer £ Accelerated filer R Non-accelerated filer £ Smaller reporting company £

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

19,610,849 shares of AMERCO Common Stock, $0.25 par value, were outstanding at November 1, 2008.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2008	March 31, 2008
	(Unaudited)	
	(In thousands)	
ASSETS		
Cash and cash equivalents	$ 363,130	$ 206,622
Reinsurance recoverables and trade receivables, net	195,315	201,116
Notes and mortgage receivables, net	2,452	2,088
Inventories, net	77,348	65,349
Prepaid expenses	57,923	56,159
Investments, fixed maturities and marketable equities	567,132	633,784
Investments, other	225,325	185,591
Deferred policy acquisition costs, net	40,143	35,578
Other assets	122,652	131,138
Related party assets	292,259	303,886
	1,943,679	1,821,311
Property, plant and equipment, at cost:		
Land	210,427	208,164
Buildings and improvements	897,714	859,882
Furniture and equipment	319,832	309,960
Rental trailers and other rental equipment	207,313	205,572
Rental trucks	1,707,517	1,734,425
	3,342,803	3,318,003
Less: Accumulated depreciation	(1,308,986)	(1,306,827)
Total property, plant and equipment	2,033,817	2,011,176
Total assets	$ 3,977,496	$ 3,832,487
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 280,620	$ 292,526
AMERCO's notes, loans and leases payable	1,575,012	1,504,677
Policy benefits and losses, claims and loss expenses payable	776,026	789,374
Liabilities from investment contracts	321,839	339,198
Other policyholders' funds and liabilities	10,300	10,467
Deferred income	12,266	11,781
Deferred income taxes	169,621	126,033
Total liabilities	3,145,684	3,074,056
Commitments and contingencies (notes 3, 6, 7 and 8)		
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 outstanding as of September 30 and March 31, 2008	-	-
Series B preferred stock, with no par value, 100,000 shares authorized; none		
issued and outstanding as of September 30 and March 31, 2008	-	-
Series common stock, with or without par value, 150,000,000 shares authorized:		
Series A common stock of $0.25 par value, 10,000,000 shares authorized;		
none issued and outstanding as of September 30 and March 31, 2008	-	-
Common stock of $0.25 par value, 150,000,000 shares authorized; 41,985,700		
issued as of September 30 and March 31, 2008	10,497	10,497
Additional paid-in capital	420,151	419,370
Accumulated other comprehensive loss	(49,819)	(55,279)
Retained earnings	982,583	915,415
Cost of common shares in treasury, net (22,370,065 shares as of		
September 30 and 22,354,386 shares as of March 31, 2008)	(525,336)	(524,677)
Unearned employee stock ownership plan shares	(6,264)	(6,895)
Total stockholders' equity	831,812	758,431
Total liabilities and stockholders' equity	$ 3,977,496	$ 3,832,487

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

1

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Quarter Ended September 30,	
	2008	2007
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	$ 439,244	$ 435,786
Self-storage revenues	27,901	33,088
Self-moving and self-storage products and service sales	58,296	62,554
Property management fees	4,721	3,993
Life insurance premiums	27,099	27,937
Property and casualty insurance premiums	7,359	7,332
Net investment and interest income	14,983	16,373
Other revenue	11,892	9,279
Total revenues	591,495	596,342
Costs and expenses:		
Operating expenses	274,288	284,857
Commission expenses	54,082	49,481
Cost of sales	32,642	33,943
Benefits and losses	27,673	25,592
Amortization of deferred policy acquisition costs	2,338	3,266
Lease expense	38,516	34,377
Depreciation, net of (gains) losses on disposals	66,434	55,746
Total costs and expenses	495,973	487,262
Earnings from operations	95,522	109,080
Interest expense	(24,930)	(27,449)
Pretax earnings	70,592	81,631
Income tax expense	(26,768)	(31,157)
Net earnings	43,824	50,474
Less: Preferred stock dividends	(3,241)	(3,241)
Earnings available to common shareholders	$ 40,583	$ 47,233
Basic and diluted earnings per common share	$ 2.10	$ 2.39
Weighted average common shares outstanding: Basic and diluted	19,351,322	19,733,755

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

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Six Months Ended September 30, 2008	2007
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	$ 829,273	$ 828,303
Self-storage revenues	55,452	65,124
Self-moving and self-storage products and service sales	120,852	131,209
Property management fees	9,437	7,940
Life insurance premiums	54,016	57,124
Property and casualty insurance premiums	13,483	13,248
Net investment and interest income	29,579	30,687
Other revenue	22,197	16,982
Total revenues	1,134,289	1,150,617
Costs and expenses:		
Operating expenses	533,559	558,058
Commission expenses	102,047	93,785
Cost of sales	67,627	68,591
Benefits and losses	54,990	54,869
Amortization of deferred policy acquisition costs	4,426	7,183
Lease expense	73,084	67,036
Depreciation, net of (gains) losses on disposals	131,372	100,011
Total costs and expenses	967,105	949,533
Earnings from operations	167,184	201,084
Interest expense	(48,774)	(51,165)
Pretax earnings	118,410	149,919
Income tax expense	(44,760)	(57,693)
Net earnings	73,650	92,226
Less: Preferred stock dividends	(6,482)	(6,482)
Earnings available to common shareholders	$ 67,168	$ 85,744
Basic and diluted earnings per common share	$ 3.47	$ 4.32
Weighted average common shares outstanding: Basic and diluted	19,346,943	19,850,874

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

3

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Quarter Ended September 30,	
	2008	2007
	(Unaudited)	
	(In thousands)	
Comprehensive income:		
Net earnings	$ 43,824	$ 50,474
Other comprehensive income (loss), net of tax:		
Foreign currency translation	(3,475)	6,252
Unrealized loss on investments	(4,152)	(2,507)
Change in fair value of cash flow hedges	(1,968)	(9,630)
Total comprehensive income	$ 34,229	$ 44,589

	Six Months Ended September 30,	
	2008	2007
	(Unaudited)	
	(In thousands)	
Comprehensive income:		
Net earnings	$ 73,650	$ 92,226
Other comprehensive income (loss), net of tax:		
Foreign currency translation	(2,293)	11,879
Unrealized loss on investments	(3,674)	(1,287)
Change in fair value of cash flow hedges	11,427	(1,441)
Total comprehensive income	$ 79,110	$ 101,377

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

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended September 30,	
	2008	2007
	(Unaudited)	
	(In thousands)	
Cash flow from operating activities:		
Net earnings	$ 73,650	$ 92,226
Adjustments to reconcile net earnings to cash provided by operations:		
Depreciation	121,920	113,194
Amortization of deferred policy acquisition costs	4,426	7,183
Change in allowance for losses on trade receivables	(29)	87
Change in allowance for losses on mortgage notes	(59)	(19)
Change in allowance for inventory reserves	3,603	1,281
Net (gain) loss on sale of real and personal property	9,452	(13,183)
Net loss on sale of investments	1	149
Deferred income taxes	48,993	33,966
Net change in other operating assets and liabilities:		
Reinsurance recoverables and trade receivables	5,831	(5,154)
Inventories	(15,602)	3,181
Prepaid expenses	8,872	4,120
Capitalization of deferred policy acquisition costs	(4,887)	(2,539)
Other assets	8,835	(10,373)
Related party assets	11,249	41,881
Accounts payable and accrued expenses	(16,199)	13,497
Policy benefits and losses, claims and loss expenses payable	(12,817)	5,066
Other policyholders' funds and liabilities	(746)	211
Deferred income	539	(1,673)
Related party liabilities	(1,639)	(3,411)
Net cash provided by operating activities	245,393	279,690
Cash flows from investing activities:		
Purchases of:		
Property, plant and equipment	(224,996)	(360,511)
Short term investments	(216,353)	(128,627)
Fixed maturities investments	(115,124)	(45,622)
Preferred stock	(2,001)	-
Real estate	(350)	(3,441)
Mortgage loans	(9,311)	(4,895)
Proceeds from sale of:		
Property, plant and equipment	80,805	100,660
Short term investments	182,399	144,814
Fixed maturities investments	173,670	61,206
Equity securities	27	46
Preferred stock	-	2,625
Real estate	704	153

Mortgage loans	2,822	4,043
Payments from notes and mortgage receivables	63	367
Net cash used by investing activities	(127,645)	(229,182)
Cash flows from financing activities:		
Borrowings from credit facilities	135,330	447,620
Principal repayments on credit facilities	(74,320)	(179,043)
Debt issuance costs	(360)	(9,850)
Capital lease payments	(348)	-
Leveraged Employee Stock Ownership Plan - repayments from loan	631	608
Treasury stock repurchases	(659)	(33,966)
Securitization deposits	-	(116,176)
Preferred stock dividends paid	(6,482)	(6,482)
Net dividend from related party	2,010	-
Investment contract deposits	9,561	8,772
Investment contract withdrawals	(26,921)	(34,032)
Net cash provided by financing activities	38,442	77,451
Effects of exchange rate on cash	318	113
Increase in cash equivalents	156,508	128,072
Cash and cash equivalents at the beginning of period	206,622	75,272
Cash and cash equivalents at the end of period	$ 363,130	$ 203,344

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

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

The second fiscal quarter for AMERCO ends on the 30th of September for each year that is referenced. Our insurance company subsidiaries have a second quarter that ends on the 30th of June 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 financial position or results of operations. The Company discloses any material events occurring during the intervening period. Consequently, all references to our insurance subsidiaries' years 2008 and 2007 correspond to fiscal 2009 and 2008 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 sheets as of September 30, 2008 and March 31, 2008 include the accounts of AMERCO and its wholly-owned subsidiaries. The September 30, 2008 condensed consolidated statements of operations and cash flows include the accounts of AMERCO and its wholly-owned subsidiaries. The September 30, 2007 condensed consolidated statements of operations and cash flows include the accounts of AMERCO and its wholly-owned subsidiaries and SAC Holding II and its subsidiaries ("SAC Holding II").

The condensed consolidated balance sheet as of September 30, 2008 and the related condensed consolidated statements of operations for the second quarter and the first six months and the cash flows for the first six months ended fiscal 2009 and 2008 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 10-Q should be read in conjunction with Management's Discussion and Analysis and financial statements and notes thereto included in the AMERCO 2008 Form 10-K.

Intercompany accounts and transactions have been eliminated.

Description of Legal Entities

AMERCO, a Nevada corporation ("AMERCO"), is the holding company for:

U-Haul International, Inc. ("U-Haul"),

Amerco Real Estate Company ("Real Estate"),

Republic Western Insurance Company ("RepWest"), and

Oxford Life Insurance Company ("Oxford").

Unless the context otherwise requires, the term "Company," "we," "us" or "our" refers to AMERCO and all of its lega subsidiaries.

6

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Description of Operating Segments

AMERCO has (or had) four reportable segments. They are (or were) Moving and Storage, Property and Casualty Insurance, Life Insurance and SAC Holding II (through October 2007).

Moving and Storage operations include AMERCO, U-Haul and Real Estate and the wholly-owned subsidiaries of U-Haul and Real Estate and consist of the rental of trucks and trailers, sales of moving supplies, sales of towing accessories, sales of propane, the rental of self-storage spaces 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.

Property and Casualty Insurance includes RepWest and its wholly-owned subsidiaries. RepWest provides loss adjusting and claims handling for U-Haul through regional offices across North America. RepWest also underwrites components of the Safemove, Safetow and Safestor protection packages to U-Haul customers.

Life Insurance includes Oxford and its wholly-owned subsidiaries. Oxford provides life and health insurance products primarily to the senior market through the direct writing or reinsuring of life insurance, Medicare supplement and annuity policies. Additionally, Oxford administers the self-insured employee health and dental plans for Arizona employees of the Company.

SAC Holding II Corporation and its subsidiaries own self-storage properties that are managed by U-Haul under property management agreements and act as independent U-Haul rental equipment dealers. AMERCO, through its subsidiaries, has contractual interests in certain SAC Holding II properties entitling AMERCO to potential future income based on the financial performance of these properties. Prior to November 2007, AMERCO was considered the primary beneficiary of these contractual interests. Consequently, for those reporting periods prior to November 2007, we included the results of SAC Holding II in the consolidated financial statements of AMERCO, as required by Financial Accounting Standards Board Interpretation No. 46(R), Consolidation of Variable Interest Entities (“FIN 46(R)”).

2. Earnings per Share

Net earnings for purposes of computing earnings per common share are net earnings less preferred stock dividends. Preferred stock dividends include accrued dividends of AMERCO.

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 269,415 and 319,316 as of September 30, 2008 and September 30, 2007, respectively.

6,100,000 shares of preferred stock have been excluded from the weighted average shares outstanding calculation because they are not common stock and they are not convertible into common stock.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

3. Borrowings

Long-Term Debt

Long-term debt was as follows:

	2009 Rate (a)	Maturities	September 30, 2008	March 31, 2008
			(Unaudited)	
			(In thousands)	
Real estate loan (amortizing term)	6.93%	2018	$ 280,000	$ 285,000
Real estate loan (revolving credit)	3.99%	2018	145,000	100,000
Senior mortgages	5.19% - 5.75%	2009 - 2015	505,946	511,818
Construction loan (revolving credit)	3.99%	2009	37,280	30,783
Working capital loan (revolving credit)	-	2009	-	-
Fleet loans (amortizing term)	5.25% - 7.42%	2012 - 2015	326,220	288,806
Fleet loans (securitization)	5.40% - 5.56%	2010 - 2014	266,445	288,270
Other obligations	-	2009 - 2015	14,121	-
Total AMERCO notes, loans and leases payable			$ 1,575,012	$ 1,504,677

(a) Interest rates as of September 30, 2008, including the effect of applicable hedging instruments.

Real Estate Backed Loans

Real Estate Loan

Amerco Real Estate Company and certain of its subsidiaries and U-Haul Company of Florida are borrowers under a Real Estate Loan. The loan has a final maturity date of August 2018, the loan is comprised of a term loan facility with initial availability of $300.0 million and a revolving credit facility with an availability of $200.0 million. As of September 30, 2008, the outstanding balance on the Real Estate Loan was $280.0 million, and $145.0 million had been drawn down on the revolving credit facility. U-Haul International, Inc. is a guarantor of this loan.

The amortizing term portion of the Real Estate Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The revolving credit portion of the Real Estate Loan requires monthly interest payments when drawn, with the unpaid loan balance and any accrued and unpaid interest due at maturity. The Real Estate Loan is secured by various properties owned by the borrowers.

The interest rate for the amortizing term portion, per the provisions of the amended Loan Agreement, is the applicable London Inter-Bank Offer Rate (“LIBOR”) plus the applicable margin. At September 30, 2008, the applicable LIBOR was 2.49% and the applicable margin was 1.50%, the sum of which was 3.99%. The rate on the term facility portion of the loan is hedged with an interest rate swap fixing the rate at 6.93% based on the current margin.

The interest rate for the revolving credit facility, per the provisions of the amended Loan Agreement, is the applicable LIBOR plus the applicable margin. The margin ranges from 1.50% to 2.00%. At September 30, 2008, the applicable LIBOR was 2.49% and the applicable margin was 1.50%, the sum of which was 3.99%.

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.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Senior Mortgages

Various subsidiaries of Amerco Real Estate Company and U-Haul International, Inc. are borrowers under certain senior mortgages. These senior mortgages loan balances as of September 30, 2008 were in the aggregate amount of $448.5 million and are due July 2015. The Senior Mortgages require average monthly principal and interest payments of $3.0 million with the unpaid loan balance and accrued and unpaid interest due at maturity. These senior mortgages are secured by certain properties owned by the borrowers. The interest rates, per the provisions of these senior mortgages, are 5.68% and 5.52% per annum. Amerco Real Estate Company and U-Haul International, Inc have provided limited guarantees of these senior mortgages. The default provisions of these 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.

Various subsidiaries of the Company are borrowers under mortgage backed loans that we also classify as senior mortgages. These loans are secured by certain properties owned by the borrowers. The loan balance of these notes total $57.5 million as of September 30, 2008. Maturity dates begin in 2009 with the majority maturing in 2015. Rates for these loans range from 5.19% to 5.75%. The loans require monthly principal and interest payments with the balances due upon maturity. The default provisions of the loans 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.

Construction / Working Capital Loans

Amerco Real Estate Company and a subsidiary of U-Haul International, Inc. entered into a revolving credit construction loan effective June 29, 2006. The maximum amount that can be drawn at any one time is $40.0 million. The final maturity is June 2009. As of September 30, 2008, the outstanding balance was $37.3 million.

The Construction Loan requires monthly interest only payments with the principal and any accrued and unpaid interest due at maturity. The loan can be used to develop new or existing storage properties. The loan is secured by the properties being constructed. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin of 1.50%. At September 30, 2008, the applicable LIBOR was 2.49% and the margin was 1.50%, the sum of which was 3.99%. U-Haul International, Inc. is a guarantor of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

Amerco Real Estate Company is a borrower under an asset backed working capital loan. The maximum amount that can be drawn at any one time is $35.0 million. The loan is secured by certain properties owned by the borrower. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin of 1.50%. The loan agreement provides for revolving loans, subject to the terms of the loan agreement with final maturity in November 2009. The loan requires monthly interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. U-Haul International, Inc. and AMERCO are the guarantors of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants. At September 30, 2008, the Company had utilized $25.0 million of availability as collateral for a letter of credit, leaving the Company with $10.0 million of available credit.

Fleet Loans

Rental Truck Amortizing Loans

U-Haul International, Inc. and several of its subsidiaries are borrowers under amortizing term loans. The loan balances as of September 30, 2008 were $326.2 million with the final maturities between April 2012 and July 2015.

The Amortizing Loans require monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. These loans were used to purchase new trucks. The interest rates, per the provision of the Loan Agreements, are the applicable LIBOR plus a margin between 0.90% and 1.75%. At September 30, 2008, the applicable LIBOR was 2.48% to 3.71% and applicable margins were between 1.125% and 1.75%, the sum of which was between 3.605% and 5.46%. The interest rates are hedged with interest rate swaps fixing the rates between 5.25% and 7.42% based on current margins.

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

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Rental Truck Securitizations

U-Haul S Fleet and its subsidiaries (collectively, “USF”) issued a $217.0 million asset-backed note (“Box Truck Note”) and an $86.6 million asset-backed note (“Cargo Van/Pickup Note”) on June 1, 2007. USF is a bankruptcy-remote special purpose entity wholly-owned by U-Haul International, Inc. The net proceeds from these securitized transactions were used to finance new box truck, cargo van and pickup truck purchases throughout fiscal 2008. U.S. Bank, NA acts as the trustee for this securitization.

The Box Truck Note has a fixed interest rate of 5.56% with an estimated final maturity of February 2014. At September 30, 2008, the outstanding balance was $179.8 million. The note is secured by the box trucks that were purchased and operating cash flows associated with their operation.

The Cargo Van/Pickup Note has a fixed interest rate of 5.40% with an estimated final maturity of May 2010. At September 30, 2008, the outstanding balance was $86.6 million. The note is secured by the cargo vans and pickup trucks that were purchased and the operating cash flows associated with their operation.

The Box Truck Note and Cargo Van/Pickup Note have the benefit of financial guaranty insurance policies that guarantee the timely payment of interest on and the ultimate payment of the principal of the notes.

The Box Truck Note and the Cargo Van/Pickup Note are subject to certain covenants with respect to liens, additional indebtedness of the special purpose entities, the disposition of assets and other customary covenants of bankruptcy-remote special purpose entities. The default provisions of the notes include non-payment of principal or interest and other standard reporting and change in control covenants.

Other Obligations

In April 2008, the Company entered into a $10.0 million capital lease for new rental equipment. The term of the lease is seven years and the Company has the option to purchase the equipment at a predetermined amount after the fifth year of the lease. At September 30, 2008, the balance on the lease was $9.6 million.

The Company entered into $7.9 million of premium financing arrangements for one year expiring in March and April 2009 at rates between 3.64% and 5.10%. At September 30, 2008, the outstanding balance of these arrangements was $4.5 million.

Annual Maturities of AMERCO Consolidated Notes, Loans and Leases Payable

The annual maturities of AMERCO consolidated long-term debt as of September 30, 2008 for the next five years and thereafter is as follows:

	Year Ending September 30,					
	2009	2010	2011	2012	2013	Thereafter
	(Unaudited)					
	(In thousands)					

Notes, loans and leases payable, secured	$	126,772	$	176,685	$	76,468	$	125,031	$	91,447	$	978,609

10

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

4. Interest on Borrowings

Interest Expense

Expenses associated with loans outstanding were as follows:

	Quarter Ended September 30,	
	2008	2007
	(Unaudited)	
	(In thousands)	
Interest expense	$ 20,002	$ 25,327
Capitalized interest	(135)	(322)
Amortization of transaction costs	1,231	1,514
Interest expense (income) resulting from derivatives	3,832	(568)
Total AMERCO interest expense	24,930	25,951
SAC Holding II interest expense	-	3,236
Less: Intercompany transactions	-	1,738
Total SAC Holding II interest expense	-	1,498
Total	$ 24,930	$ 27,449

	Six Months Ended September 30,	
	2008	2007
	(Unaudited)	
	(In thousands)	
Interest expense	$ 39,589	$ 47,395
Capitalized interest	(245)	(605)
Amortization of transaction costs	2,510	2,395
Interest expense (income) resulting from derivatives	6,920	(1,021)
Total AMERCO interest expense	48,774	48,164
SAC Holding II interest expense	-	6,467
Less: Intercompany transactions	-	3,466
Total SAC Holding II interest expense	-	3,001
Total	$ 48,774	$ 51,165

Interest paid in cash by AMERCO amounted to $18.5 million and $25.9 million for the second quarter of fiscal 2009 and 2008, respectively.

Interest paid in cash by AMERCO amounted to $37.7 million and $46.0 million for the first six months of fiscal 2009 and 2008, respectively.

The Company manages exposure to changes in market interest rates. The Company's use of derivative instruments is limited to highly effective interest rate swaps to hedge the risk of changes in cash flows (future interest payments) attributable to changes in LIBOR swap rates, the designated benchmark interest rate being hedged on certain of our LIBOR-indexed variable-rate debt. The interest rate swaps effectively fix the Company's interest payments on certain LIBOR-indexed variable-rate debt. The Company monitors its positions and the credit ratings of its counterparties and does not anticipate non-performance by the counterparties. Interest rate swap agreements are not entered into for trading purposes.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

On May 13, 2004, the Company entered into an interest rate cap agreement for $50.0 million of our variable rate debt over a three year term; however, this agreement was dedesignated as a cash flow hedge effective July 11, 2005 when the Real Estate Loan was paid down by $222.4 million. The $50.0 million interest rate cap agreement expired on May 17, 2007. Subsequent to July 11, 2005, all changes in the interest rate caps fair value (including changes in the option's time value), were charged to earnings as the original forecasted transaction was cancelled. Prior to July 11, 2005, the change in each caplets' respective allocated fair value amount was reclassified out of accumulated other comprehensive income (loss) into earnings when each of the hedged forecasted transactions (the quarterly interest payments) impacted earnings and when interest payments were either made or received.

On June 8, 2005, the Company entered into separate interest rate swap agreements for $100.0 million of our variable-rate debt over a three year term and for $100.0 million of our variable-rate debt over a five-year term, that were designated as cash flow hedges effective July 1, 2005. These swap agreements were cancelled on August 18, 2006 in conjunction with our amendment of the Real Estate Loan, and we entered into a new interest rate swap agreement for $300.0 million of our variable-rate debt over a twelve-year term effective on August 18, 2006. As of August 18, 2006, a net gain of approximately $6.0 million related to the two cancelled swaps was included in other comprehensive income (loss). As the variable-rate debt is replaced, it is probable that the original forecasted transaction (future interest payments) will continue to occur. Therefore, the net derivative gain related to the two cancelled swaps shall continue to be reported in other comprehensive income (loss) and be reclassified into earnings when the original forecasted transaction affects earnings consistent with the term of the original designated hedging relationship. For the first six months ended September 30, 2008, the Company reclassified $0.8 million of the net derivative gain to interest income. The Company estimates that $1.0 million of the existing net gains will be reclassified into earnings within the next 12 months.

On November 15, 2005, the Company entered into a forward starting interest rate swap agreement for $142.3 million of our variable-rate debt over a six-year term that became effective on May 10, 2006. This swap was designated as a cash flow hedge effective May 31, 2006.

On June 21, 2006, the Company entered into an interest rate swap agreement for $50.0 million of our variable-rate debt over a seven-year term that became effective on July 10, 2006. On June 9, 2006, the Company entered into a forward starting interest rate swap agreement for $144.9 million of our variable-rate debt over a six-year term that became effective on October 10, 2006. On February 9, 2007, the Company entered into an interest rate swap agreement for $30.0 million of our variable-rate debt over a seven-year term that became effective on February 12, 2007. On March 8, 2007, the Company entered into two separate interest rate swap agreements each for $20.0 million of our variable-rate debt over seven-year terms that became effective on March 10, 2007. On April 8, 2008, the Company entered into a forward starting interest rate swap agreement for $19.3 million of our variable-rate debt over a seven year term that became effective on August 15, 2008. On August 27, 2008, the Company entered into an interest rate swap agreement for $19.0 million of our variable-rate debt over a seven year term that became effective on August 29, 2008. On September 24, 2008, the Company entered into an interest rate swap agreement for $30.0 million of our variable-rate debt over a seven year term that became effective on September 30, 2008. These interest rate swap agreements were designated as cash flow hedges on their inception (trade dates).

For the first six months ended September 30, 2008, the Company recognized net losses of $7.9 million from highly effective cash flow hedges, which are attributable to the portion of the change in the fair value of the hedges. The hedging relationship of certain interest rate swap agreements is not considered to be perfectly effective in which an effectiveness test is performed for each reporting period. The net gains attributable to the portion of the change in the fair value representing the amount of the hedges' ineffectiveness recognized in earnings during the first six months was $0.2 million included in interest income. All forecasted transactions currently being hedged are expected to occur by 2018.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Interest Rates

Interest rates and Company borrowings were as follows:

	Revolving Credit Activity Quarter Ended September 30,	
	2008	2007
	(Unaudited)	
	(In thousands, except interest rates)	
Weighted average interest rate during the quarter	4.02%	6.87%
Interest rate at the end of the quarter	3.99%	7.32%
Maximum amount outstanding during the quarter	$ 182,280	$ 121,700
Average amount outstanding during the quarter	$ 169,780	$ 98,874
Facility fees	$ 98	$ 65

	Revolving Credit Activity Six Months Ended September 30,	
	2008	2007
	(Unaudited)	
	(In thousands, except interest rates)	
Weighted average interest rate during the first six months	4.14%	6.80%
Interest rate at the end of the first six months	3.99%	7.32%
Maximum amount outstanding during the first six months	$ 182,280	$ 138,700
Average amount outstanding during the first six months	$ 149,071	$ 100,065
Facility fees	$ 172	$ 134

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

5. Stockholders Equity

On December 5, 2007, we announced that the Board of Directors (the “Board”) had authorized us to repurchase up to $50.0 million of our common stock. The stock may be repurchased by the Company from time to time on the open market until December 31, 2008. The extent to which the Company repurchases its shares and the timing of such purchases will depend upon market conditions and other corporate considerations. Any purchases will be funded from available working capital. During the second quarter of fiscal 2009, no shares of our common stock were repurchased, with the exception of the shares repurchased under our Odd Lot Repurchase Program detailed below.

Period	Total # of Shares Repurchased	Average Price Paid per Share (1)	Total # of Shares Repurchased as Part of Publicly Announced Plan	Total $ of Shares Repurchased as Part of Publicly Announced Plan	Maximum $ of Shares That May Yet be Repurchased Under the Plan
			(Unaudited)		
Cumulative Plan Total	428,000	$ 54.94	428,000	$ 23,512,380	$ 26,487,620

(1) Represents weighted average purchase price for the periods presented.

On August 8, 2008, we announced the Board had authorized us to initiate a no-fee Odd Lot Repurchase Program (the “Program”) to purchase AMERCO common stock held by persons who own less than 100 shares of AMERCO common stock. The Program offer expired at 5:00 p.m. Eastern Standard Time on October 31, 2008, unless extended or earlier terminated. The Company reserves the right to terminate this program at any time at its discretion. The following table details the shares purchased as part of the Program.

Period	Total # of Shares Repurchased	Average Price Paid per Share (1)	Total $ of Shares Repurchased as Part of Odd Lot Program
		(Unaudited)	
July 1 - 31, 2008	-	$ -	$ -
August 1 - 31, 2008	1,674	39.37	65,902
September 1 - 30, 2008	14,005	42.36	593,303
Second Quarter Total	15,679	$ 42.04	$ 659,205

(1) Represents weighted average purchase price for the periods presented.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

6. Contingent Liabilities and Commitments

The Company leases a portion of its rental equipment and certain of its facilities under operating leases with terms that expire at various dates substantially through 2015, with the exception of one land lease expiring in 2034. At September 30, 2008, AMERCO had guaranteed $185.2 million of residual values for rental equipment assets at the end of the respective lease terms. Certain leases contain renewal and fair market value purchase options as well as mileage and other restrictions. At the expiration of each lease, the Company has the option to renew the lease, purchase the asset for fair market value, or sell the asset to a third party on behalf of the lessor. AMERCO has been leasing equipment since 1987 and has experienced no material losses relating to these types of residual value guarantees.

Lease commitments for leases having terms of more than one year were as follows:

	Property, Plant and Equipment	Rental Equipment	Total
		(Unaudited)	
		(In thousands)	
Year-ended September 30:			
2009	$ 12,989	$ 129,833	$ 142,822
2010	12,622	112,668	125,290
2011	12,488	97,166	109,654
2012	12,234	84,270	96,504
2013	11,578	66,514	78,092
Thereafter	13,117	71,941	85,058
Total	$ 75,028	$ 562,392	$ 637,420

7. Contingencies

Shoen

In September 2002, Paul F. Shoen filed a shareholder derivative lawsuit in the Second Judicial District Court of the State of Nevada, Washoe County, captioned Paul F. Shoen vs. SAC Holding Corporation et al., CV 02-05602, seeking damages and equitable relief on behalf of AMERCO from SAC Holdings and certain current and former members of the AMERCO Board of Directors, including Edward J. Shoen, Mark V. Shoen and James P. Shoen as Defendants. AMERCO is named as a nominal Defendant in the case. The complaint alleges breach of fiduciary duty, self-dealing, usurpation of corporate opportunities, wrongful interference with prospective economic advantage and unjust enrichment and seeks the unwinding of sales of self-storage properties by subsidiaries of AMERCO to SAC prior to the filing of the complaint. The complaint seeks a declaration that such transfers are void as well as unspecified damages. In October 2002, the Defendants filed motions to dismiss the complaint. Also in October 2002, Ron Belec filed a derivative action in the Second Judicial District Court of the State of Nevada, Washoe County, captioned Ron Belec vs. William E. Carty, et al., CV 02-06331 and in January 2003, M.S. Management Company, Inc. filed a derivative action in the Second Judicial District Court of the State of Nevada, Washoe County, captioned M.S. Management Company, Inc. vs. William E. Carty, et al., CV 03-00386. Two additional derivative suits were also filed against these parties. Each of these suits is substantially similar to the Paul F. Shoen case. The Court consolidated the five cases and thereafter dismissed these actions in May 2003, concluding that the AMERCO Board of Directors had the requisite level of independence required in order to have these claims resolved by the Board. Plaintiffs appealed this decision and, in July 2006, the Nevada Supreme Court reversed the ruling of the trial court and remanded the case to the trial court for proceedings consistent with its ruling, allowing the Plaintiffs to file an amended complaint and plead in addition to substantive claims, demand futility.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

In November 2006, the Plaintiffs filed an amended complaint. In December 2006, the Defendants filed motions to dismiss, based on various legal theories. In March 2007, the Court denied AMERCO's motion to dismiss regarding the issue of demand futility, stating that "Plaintiffs have satisfied the heightened pleading requirements of demand futility by showing a majority of the members of the AMERCO Board of Directors were interested parties in the SAC transactions." The Court heard oral argument on the remainder of the Defendants' motions to dismiss, including the motion ("Goldwasser Motion") based on the fact that the subject matter of the lawsuit had been settled and dismissed in earlier litigation known as Goldwasser v. Shoen, C.V.N.-94-00810-ECR (D.Nev), Washoe County, Nevada. In addition, in September and October 2007, the Defendants filed Motions for Judgment on the Pleadings or in the Alternative Summary Judgment, based on the fact that the stockholders of the Company had ratified the underlying transactions at the 2007 annual meeting of stockholders of AMERCO. In December 2007, the Court denied this motion. This ruling does not preclude a renewed motion for summary judgment after discovery and further proceedings on these issues. On April 7, 2008, the litigation was dismissed, on the basis of the Goldwasser Motion. On May 8, 2008, the Plaintiffs filed a notice of appeal of such dismissal to the Nevada Supreme Court. On May 20, 2008, AMERCO filed a cross appeal relating to the denial of its Motion to Dismiss in regard to demand futility. The appeals are currently pending.

Environmental

In the normal course of business, AMERCO is a defendant in a number of suits and claims. AMERCO is also a party to several administrative proceedings arising from state and local provisions that regulate the removal and/or cleanup of underground fuel storage tanks. It is the opinion of management, that none of these suits, claims or proceedings involving AMERCO, individually or in the aggregate, are expected to result in a material adverse effect on AMERCO's financial position or results of operations.

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 water, air and land 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. Real Estate expects to spend approximately $2.8 million in total through 2011 to remediate these properties.

Other

The Company is 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 the Company's financial position and results of operations.

8. Related Party Transactions

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

SAC Holding Corporation and its subsidiaries and SAC Holding II Corporation and its subsidiaries, collectively referred to as "SAC Holdings" were established in order to acquire self-storage properties. These properties are being managed by the Company pursuant to management agreements. The sale of self-storage properties by the Company to SAC Holdings has in the past provided significant cash flows to the Company.

Management believes that its sales of self-storage properties to SAC Holdings have provided a unique structure for the Company to earn moving equipment rental revenues and property management fee revenues from the SAC Holdings self-storage properties that the Company manages.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

During the first six months of fiscal 2009, subsidiaries of the Company held various junior unsecured notes of SAC Holdings. Substantially all of the equity interest of SAC Holdings is controlled by Blackwater Investments, Inc. (“Blackwater”). Blackwater is wholly-owned by Mark V. Shoen, a significant shareholder and executive officer of AMERCO. The Company does not have an equity ownership interest in SAC Holdings. The Company recorded interest income of $9.2 million and $9.4 million, and received cash interest payments of $8.4 million and $10.2 million, from SAC Holdings during the first six months of fiscal 2009 and 2008, respectively. The largest aggregate amount of notes receivable outstanding during the first six months of fiscal 2009 was $198.1 million and the aggregate notes receivable balance at September 30, 2008 was $197.9 million. In accordance with the terms of these notes, SAC Holdings may repay the notes without penalty or premium at any time.

Interest accrues on the outstanding principal balance of junior notes of SAC Holdings that the Company holds at a 9.0% rate per annum. A fixed portion of that basic interest is paid on a monthly basis. Additional interest can be earned on notes totaling $122.2 million of principal depending upon the amount of remaining basic interest and the cash flow generated by the underlying property. This amount is referred to as the “cash flow-based calculation.”

To the extent that this cash flow-based calculation exceeds the amount of remaining basic interest, contingent interest would be paid on the same monthly date as the fixed portion of basic interest. To the extent that the cash flow-based calculation is less than the amount of remaining basic interest, the additional interest payable on the applicable monthly date is limited to the amount of that cash flow-based calculation. In such a case, the excess of the remaining basic interest over the cash flow-based calculation is deferred. In addition, subject to certain contingencies, the junior notes provide that the holder of the note is entitled to receive a portion of the appreciation realized upon, among other things, the sale of such property by SAC Holdings. To date, no excess cash flows related to these arrangements have been earned or paid.

During the first six months of fiscal 2009, AMERCO and U-Haul held various junior notes with Private Mini Realty, L.P. (“Private Mini”). The equity interests of Private Mini are ultimately controlled by Blackwater. The Company recorded interest income of $2.7 million and $2.5 million and received cash interest payments of $2.7 million and $2.5 million from Private Mini during the first six months of fiscal 2009 and 2008, respectively. The balance of notes receivable from Private Mini at September 30, 2008 was $68.7 million. The largest aggregate amount outstanding during the first six months of fiscal 2009 was $69.1 million.

The Company currently manages the self-storage properties owned or leased by SAC Holdings, Mercury Partners, L.P. (“Mercury”), Four SAC Self-Storage Corporation (“4 SAC”), Five SAC Self-Storage Corporation (“5 SAC”), Galaxy Investments, L.P. (“Galaxy”) and Private Mini pursuant to a standard form of management agreement, under which the Company receives a management fee of between 4% and 10% of the gross receipts plus reimbursement for certain expenses. The Company received management fees, exclusive of reimbursed expenses, of $15.8 million and $15.0 million from the above mentioned entities during the first six months of fiscal 2009 and 2008, respectively. This management fee is consistent with the fee received for other properties the Company previously managed for third parties. SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini are substantially controlled by Blackwater. Mercury is substantially controlled by Mark V. Shoen. James P. Shoen, a significant shareholder and director of AMERCO, has an interest in Mercury.

The Company leases space for marketing company offices, vehicle repair shops and hitch installation centers from subsidiaries of SAC Holdings, 5 SAC and Galaxy. Total lease payments pursuant to such leases were $1.2 million and

$1.3 million for each of the first six months of fiscal 2009 and 2008, respectively. The terms of the leases are similar to the terms of leases for other properties owned by unrelated parties that are leased to the Company.

At September 30, 2008, subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini acted as U-Haul independent dealers. The financial and other terms of the dealership contracts with the aforementioned companies and their subsidiaries are substantially identical to the terms of those with the Company’s other independent dealers whereby commissions are paid by the Company based upon equipment rental revenues. During the first six months of fiscal 2009 and 2008, the Company paid the above mentioned entities $20.0 million and $20.8 million, respectively in commissions pursuant to such dealership contracts.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

These agreements and notes with subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini, excluding Dealer Agreements, provided revenues of $20.4 million, expenses of $1.2 million and cash flows of $22.7 million during the first six months of fiscal 2009. Revenues and commission expenses related to the Dealer Agreements were $93.8 million and $20.0 million, respectively.

In prior years, U-Haul sold various properties to SAC Holdings at prices in excess of U-Haul's carrying values resulting in gains which U-Haul deferred and treated as additional paid-in capital. The transferred properties have historically been stated at the original cost basis as the gains were eliminated in consolidation. In March 2004, a portion of these deferred gains were recognized and treated as contributions from a related party in the amount of $111.0 million as a result of the deconsolidation of SAC Holding Corporation. In November 2007, the remaining portion of these deferred gains were recognized and treated as contributions from a related party in the amount of $46.1 million as a result of the deconsolidation of SAC Holding II Corporation.

Related Party Assets

	September 30, 2008	March 31, 2008
	(Unaudited)	
	(In thousands)	
U-Haul notes, receivables and interest from Private Mini	$ 71,312	$ 71,038
U-Haul notes receivable from SAC Holdings Corporation	197,876	198,144
U-Haul interest receivable from SAC Holdings Corporation	5,305	4,498
U-Haul receivable from SAC Holdings Corporation	18,111	20,617
Mercury receivable	4,580	6,791
Other (a)	(4,925)	2,798
	$ 292,259	$ 303,886

(a) Our credit balance at September 30, 2008 was due to a timing difference between AMERCO and an insurance subsidiary consisting of a payment of a $3.0 million note; a timing difference for a dividend paid by RepWest to AMERCO in the amount of $5.5 million and a timing difference for an investment by AMERCO in an insurance subsidiary of $3.5 million. These timing differences will reverse in the Company's December 31, 2008 financial statements.

9. Consolidating Financial Information by Industry Segment

AMERCO has (or had) four reportable segments. They are (or were) Moving and Storage, Property and Casualty Insurance, Life Insurance and SAC Holding II. Management tracks revenues separately, but does not report any separate measure of the profitability for rental vehicles, rentals of self-storage spaces and sales of products that are required to be classified as a separate operating segment and accordingly does not present these as separate reportable segments. Deferred income taxes are shown as liabilities on the condensed consolidating statements.

The consolidated balance sheets as of September 30, 2008 and March 31, 2008 include the accounts of AMERCO and its wholly-owned subsidiaries. The September 30, 2008 consolidated statements of operations and cash flows include the accounts of AMERCO and its wholly-owned subsidiaries. The September 30, 2007 consolidated statements of operations and cash flows include the accounts of AMERCO and its wholly-owned subsidiaries and SAC Holding II and its subsidiaries.

AMERCO's four reportable segments are (or were):

(a) Moving and Storage, comprised of AMERCO, U-Haul, and Real Estate and the subsidiaries of U-Haul and Real Estate

(b) Property and Casualty Insurance, comprised of RepWest and its subsidiaries

(c) Life Insurance, comprised of Oxford and its subsidiaries

(d) SAC Holding II and its subsidiaries (through October 2007)

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

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

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

9. Financial Information by Consolidating Industry Segment:

Consolidating balance sheets by industry segment as of September 30, 2008 are as follows:

	Moving & Storage					AMERCO Legal Gr		
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations
					(Unaudited)			
					(In thousands)			
Assets:								
Cash and cash equivalents	$ 30	$ 345,721	$ -	$ -	$ 345,751	$ 6,532	$ 10,847	$ -
Reinsurance recoverables and trade receivables, net	-	19,754	27	-	19,781	165,156	10,378	-
Notes and mortgage receivables, net	-	1,154	1,298	-	2,452	-	-	-
Inventories, net	-	77,348	-	-	77,348	-	-	-
Prepaid expenses	1,142	56,381	400	-	57,923	-	-	-
Investments, fixed maturities and marketable equities	-	-	-	-	-	97,465	469,667	-
Investments, other	-	846	12,811	-	13,657	124,360	87,308	-
Deferred policy acquisition costs, net	-	-	-	-	-	15	40,128	-
Other assets	9	90,752	29,623	-	120,384	1,888	380	-
Related party assets	1,234,610	241,054	59,833	(1,236,266) (c)	299,231	2,940	-	(9,912)
	1,235,791	833,010	103,992	(1,236,266)	936,527	398,356	618,708	(9,912)
Investment in subsidiaries	(184,680)	-	-	487,537 (b)	302,857	-	-	(302,857)
Property, plant and equipment, at cost:								
Land	-	43,466	166,961	-	210,427	-	-	-
Buildings and improvements	-	134,016	763,698	-	897,714	-	-	-

Furniture and equipment	301	301,382	18,149	-	319,832	-	-	-
Rental trailers and other rental equipment	-	207,313	-	-	207,313	-	-	-
Rental trucks	-	1,707,517	-	-	1,707,517	-	-	-
	301	2,393,694	948,808	-	3,342,803	-	-	-
Less: Accumulated depreciation	(247)	(995,687)	(313,052)	-	(1,308,986)	-	-	-
Total property, plant and equipment	54	1,398,007	635,756	-	2,033,817	-	-	-
Total assets	$ 1,051,165	$ 2,231,017	$ 739,748	$ (748,729)	$ 3,273,201	$ 398,356	$ 618,708	$ (312,769)

(a) Balances as of June 30, 2008
(b) Eliminate investment in subsidiaries
(c) Eliminate intercompany receivables and payables

20

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating balance sheets by industry segment as of September 30, 2008 are as follows:

	Moving & Storage					AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	
					(Unaudited)				
					(In thousands)				
Liabilities:									
Accounts payable and accrued expenses	$ 1,182	$ 268,208	$ 5,258	$ -	$ 274,648	$ -	$ 5,972	$ -	
AMERCO's notes, loans and leases payable	-	662,367	912,645	-	1,575,012	-	-	-	
Policy benefits and losses, claims and loss expenses payable	-	365,191	-	-	365,191	276,572	134,263	-	
Liabilities from investment contracts	-	-	-	-	-	-	321,839	-	
Other policyholders' funds and liabilities	-	-	-	-	-	7,065	3,235	-	
Deferred income	-	12,266	-	-	12,266	-	-	-	
Deferred income taxes	211,907	-	-	-	211,907	(36,973)	(5,313)	-	
Related party liabilities	-	1,238,631	-	(1,236,266) (c)	2,365	2,169	3,368	(7,902) (c)	
Total liabilities	213,089	2,546,663	917,903	(1,236,266)	2,441,389	248,833	463,364	(7,902)	
Stockholders' equity:									
Series preferred stock:									

Series A preferred stock	-	-	-	-		-	-	-	-	
Series B preferred stock	-	-	-	-		-	-	-	-	
Series A common stock	-	-	-	-		-	-	-	-	
Common stock	10,497	540	1	(541)	(b)	10,497	3,300	2,500	(5,800)	(b)
Additional paid-in capital	420,151	121,230	147,481	(268,711)	(b)	420,151	86,121	26,271	(112,392)	(b)
Accumulated other comprehensive income (loss)	(49,819)	(47,736)	-	47,736	(b)	(49,819)	(1,851)	(233)	2,084	(b)
Retained earnings (deficit)	982,583	(383,416)	(325,637)	709,053	(b)	982,583	61,953	126,806	(188,759)	(b)
Cost of common shares in treasury, net	(525,336)	-	-	-		(525,336)	-	-	-	
Unearned employee stock ownership plan shares	-	(6,264)	-	-		(6,264)	-	-	-	
Total stockholders' equity (deficit)	838,076	(315,646)	(178,155)	487,537		831,812	149,523	155,344	(304,867)	
Total liabilities and stockholders' equity	$ 1,051,165	$ 2,231,017	$ 739,748	$ (748,729)		$ 3,273,201	$ 398,356	$ 618,708	$ (312,769)	

(a) Balances as of June 30, 2008

(b) Eliminate investment in subsidiaries

(c) Eliminate intercompany receivables and payables

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating balance sheets by industry segment as of March 31, 2008 are as follows:

	Moving & Storage					AMERCO Legal Gro		
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations
					(Unaudited)			
					(In thousands)			
Assets:								
Cash and cash equivalents	$ 30	$ 191,220	$ -	$ -	$ 191,250	$ 6,848	$ 8,524	$ -
Reinsurance recoverables and trade receivables, net	-	20,529	27	-	20,556	170,305	10,255	-
Notes and mortgage receivables, net	-	1,158	930	-	2,088	-	-	-
Inventories, net	-	65,349	-	-	65,349	-	-	-
Prepaid expenses	4,508	51,418	233	-	56,159	-	-	-
Investments, fixed maturities and marketable equities	-	-	-	-	-	144,171	489,613	-
Investments, other	-	838	13,515	-	14,353	80,786	90,452	-
Deferred policy acquisition costs, net	-	-	-	-	-	30	35,548	-
Other assets	8	97,285	30,494	-	127,787	2,808	543	-
Related party assets	1,164,092	244,801	29,198	(1,131,730) (c)	306,361	7,067	-	(9,542)
	1,168,638	672,598	74,397	(1,131,730)	783,903	412,015	634,935	(9,542)
Investment in subsidiaries	(234,927)	-	-	534,247 (b)	299,320	-	-	(299,320)
Property, plant and equipment, at cost:								
Land	-	44,224	163,940	-	208,164	-	-	-
Buildings and improvements	-	109,826	750,056	-	859,882	-	-	-
Furniture and equipment	304	291,561	18,095	-	309,960	-	-	-

Rental trailers and other rental equipment	-	205,572	-	-	205,572	-	-	-
Rental trucks	-	1,734,425	-	-	1,734,425	-	-	-
	304	2,385,608	932,091	-	3,318,003	-	-	-
Less: Accumulated depreciation	(242)	(999,040)	(307,545)	-	(1,306,827)	-	-	-
Total property, plant and equipment	62	1,386,568	624,546	-	2,011,176	-	-	-
Total assets	$ 933,773	$ 2,059,166	$ 698,943	$ (597,483)	$ 3,094,399	$ 412,015	$ 634,935	$ (308,862)

(a) Balances as of December 31, 2007
(b) Eliminate investment in subsidiaries
(c) Eliminate intercompany receivables and payables

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating balance sheets by industry segment as of March 31, 2008 are as follows:

	Moving & Storage					AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	A C
					(In thousands)				
Liabilities:									
Accounts payable and accrued expenses	$ 924	$ 281,666	$ 4,903	$ -	$ 287,493	$ -	$ 5,033	$ -	$
AMERCO's notes and loans payable	-	630,533	874,144	-	1,504,677	-	-	-	
Policy benefits and losses, claims and loss expenses payable	-	360,308	-	-	360,308	291,318	137,748	-	
Liabilities from investment contracts	-	-	-	-	-	-	339,198	-	
Other policyholders' funds and liabilities	-	-	-	-	-	6,854	3,613	-	
Deferred income	-	11,781	-	-	11,781	-	-	-	
Deferred income taxes	167,523	-	-	-	167,523	(36,783)	(4,707)	-	
Related party liabilities	-	1,135,916	-	(1,131,730) (c)	4,186	2,048	3,308	(9,542) (c)	
Total liabilities	168,447	2,420,204	879,047	(1,131,730)	2,335,968	263,437	484,193	(9,542)	
Stockholders' equity:									
Series preferred stock:									
	-	-	-	-	-	-	-	-	

Series A preferred stock											
Series B preferred stock	-	-	-	-		-	-	-	-		
Series A common stock	-	-	-	-		-	-	-	-		
Common stock	10,497	540	1	(541)	(b)	10,497	3,300	2,500	(5,800)	(b)	
Additional paid-in capital	419,370	121,230	147,481	(268,711)	(b)	419,370	86,121	26,271	(112,392)	(b)	
Accumulated other comprehensive income (loss)	(55,279)	(56,870)	-	56,870	(b)	(55,279)	63	1,528	(1,591)	(b)	
Retained earnings (deficit)	915,415	(419,043)	(327,586)	746,629	(b)	915,415	59,094	120,443	(179,537)	(b)	
Cost of common shares in treasury, net	(524,677)	-	-	-		(524,677)	-	-	-		
Unearned employee stock ownership plan shares	-	(6,895)	-	-		(6,895)	-	-	-		
Total stockholders' equity (deficit)	765,326	(361,038)	(180,104)	534,247		758,431	148,578	150,742	(299,320)		
Total liabilities and stockholders' equity	$ 933,773	$ 2,059,166	$ 698,943	$ (597,483)		$ 3,094,399	$ 412,015	$ 634,935	$ (308,862)		$

(a) Balances as of December 31, 2007

(b) Eliminate investment in subsidiaries

(c) Eliminate intercompany receivables and payables

23

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating statement of operations by industry segment for the quarter ended September 30, 2008 are as follows:

	Moving & Storage					AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	AMERCO Consolidated
					(Unaudited)				
					(In thousands)				
Revenues:									
Self-moving equipment rentals	$ -	$ 439,244	$ -	$ -	$ 439,244	$ -	$ -	$ -	$ 439,244
Self-storage revenues	-	27,526	375	-	27,901	-	-	-	27,901
Self-moving & self-storage products & service sales	-	58,296	-	-	58,296	-	-	-	58,296
Property management fees	-	4,721	-	-	4,721	-	-	-	4,721
Life insurance premiums	-	-	-	-	-	-	27,099	-	27,099
Property and casualty insurance premiums	-	-	-	-	-	7,359	-	-	7,359
Net investment and interest income	1,093	6,918	-	-	8,011	2,326	5,008	(362) (b,d)	14,983
Other revenue	-	11,384	17,458	(19,037) (b)	9,805	-	2,409	(322) (b)	11,892
Total revenues	1,093	548,089	17,833	(19,037)	547,978	9,685	34,516	(684)	591,495
Costs and expenses:									
Operating expenses	1,907	283,001	2,136	(19,037) (b)	268,007	2,855	5,447	(2,021) (b,c,d)	274,288
Commission expenses	-	54,082	-	-	54,082	-	-	-	54,082
Cost of sales	-	32,642	-	-	32,642	-	-	-	32,642
	-	-	-	-	-	4,630	21,395	1,648 (c)	27,673

Benefits and losses									
Amortization of deferred policy acquisition costs	-	-	-	-	-	5	2,333	-	2,338
Lease expense	25	38,790	2	-	38,817	-	-	(301) (b)	38,516
Depreciation, net of (gains) losses on disposals	4	63,374	3,056	-	66,434	-	-	-	66,434
Total costs and expenses	1,936	471,889	5,194	(19,037)	459,982	7,490	29,175	(674)	495,973
Equity in earnings of subsidiaries	29,914	-	-	(25,060) (e)	4,854	-	-	(4,854) (e)	-
Earnings from operations	29,071	76,200	12,639	(25,060)	92,850	2,195	5,341	(4,864)	95,522
Interest income (expense)	23,277	(37,775)	(10,442)	-	(24,940)	-	-	10 (d)	(24,930)
Pretax earnings	52,348	38,425	2,197	(25,060)	67,910	2,195	5,341	(4,854)	70,592
Income tax expense	(8,524)	(14,358)	(1,204)	-	(24,086)	(768)	(1,914)	-	(26,768)
Net earnings	43,824	24,067	993	(25,060)	43,824	1,427	3,427	(4,854)	43,824
Less: Preferred stock dividends	(3,241)	-	-	-	(3,241)	-	-	-	(3,241)
Earnings available to common shareholders	$ 40,583	$ 24,067	$ 993	$ (25,060)	$ 40,583	$ 1,427	$ 3,427	$ (4,854)	$ 40,583

(a) Balances for the quarter ended June 30, 2008

(b) Eliminate intercompany lease income

(c) Eliminate intercompany premiums

(d) Eliminate intercompany interest on debt

(e) Eliminate equity in earnings of subsidiaries

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating statements of operations by industry for the quarter ended September 30, 2007 are as follows:

	Moving & Storage					AMERCO Legal Group				AMERCO as Consolidated	
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	AMERCO Consolidated	SAC Holding II	Eliminations