AMERCO /NV/
Form 10-Q
November 09, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

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) 5555 Kietzke Lane, Ste. 100 Reno, Nevada 89511 Telephone (775) 688-6300	88-0106815

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [x] 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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [x] Accelerated filer [ ]

Non-accelerated filer [ ] (Do not check if a smaller reporting company) 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 [x]

19,607,788 shares of AMERCO Common Stock, $0.25 par value, were outstanding at November 1, 2016

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Part i Financial information

ITEM 1. Financial Statements

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED balance sheets

	September 30, 2016 (Unaudited)	March 31, 2016
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$921,327	$600,646
Reinsurance recoverables and trade receivables, net	183,243	175,210
Inventories, net	81,609	79,756
Prepaid expenses	87,968	134,300
Investments, fixed maturities and marketable equities	1,632,420	1,510,538
Investments, other	382,065	310,072
Deferred policy acquisition costs, net	118,652	136,386
Other assets	85,600	77,210
Related party assets	80,171	85,734
	3,573,055	3,109,852
Property, plant and equipment, at cost:		
Land	616,969	587,347
Buildings and improvements	2,401,802	2,187,400
Furniture and equipment	448,990	399,943
Rental trailers and other rental equipment	490,451	462,379
Rental trucks	3,720,268	3,514,175
	7,678,480	7,151,244
Less: Accumulated depreciation	(2,244,417)	(2,133,733)
Total property, plant and equipment	5,434,063	5,017,511
Total assets	$9,007,118	$8,127,363
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$438,921	$502,613
Notes, loans and leases payable	2,992,490	2,665,396
Policy benefits and losses, claims and loss expenses payable	1,088,128	1,071,412
Liabilities from investment contracts	1,043,129	951,490
Other policyholders' funds and liabilities	10,211	8,650
Deferred income	27,801	22,784
Deferred income taxes	791,524	653,612
Total liabilities	6,392,204	5,875,957

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 September 30 and March 31, 2016	–	–
Series B preferred stock, with no par value, 100,000 shares authorized; none		
issued and outstanding as of September 30 and March 31, 2016	–	–
Series common stock, with or without par value, 250,000,000 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, 2016	–	–
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 September 30 and March 31, 2016	10,497	10,497
Additional paid-in capital	451,909	451,629
Accumulated other comprehensive loss	(19,890)	(60,525)
Retained earnings	2,857,289	2,533,641
Cost of common shares in treasury, net (22,377,912 shares as of September 30 and March 31, 2016)	(525,653)	(525,653)
Cost of preferred shares in treasury, net (6,100,000 shares as of September 30 and March 31, 2016)	(151,997)	(151,997)
Unearned employee stock ownership plan shares	(7,241)	(6,186)
Total stockholders' equity	2,614,914	2,251,406
Total liabilities and stockholders' equity	$9,007,118	$8,127,363

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

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AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED Statements of operations

	Quarter Ended September 30,	
	2016	2015
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	$711,710	$698,219
Self-storage revenues	72,163	62,060
Self-moving and self-storage products and service sales	70,330	70,703
Property management fees	6,712	6,320
Life insurance premiums	40,893	40,515
Property and casualty insurance premiums	14,009	13,372
Net investment and interest income	25,816	22,151
Other revenue	57,278	49,563
Total revenues	998,911	962,903
Costs and expenses:		
Operating expenses	398,213	406,282
Commission expenses	80,462	80,799
Cost of sales	40,952	39,881
Benefits and losses	46,836	43,428
Amortization of deferred policy acquisition costs	5,989	5,643
Lease expense	9,349	12,724
Depreciation, net of (gains) on disposals of (($9,618) and ($32,821), respectively)	109,904	63,078
Total costs and expenses	691,705	651,835
Earnings from operations	307,206	311,068
Interest expense	(28,215)	(23,973)
Pretax earnings	278,991	287,095
Income tax expense	(102,516)	(103,716)
Earnings available to common stockholders	$176,475	$183,379
Basic and diluted earnings per common share	$9.01	$9.36
Weighted average common shares outstanding: Basic and diluted	19,586,411	19,597,717

Related party revenues for the second quarter of fiscal 2017 and 2016, net of eliminations, were $7.9 million and $7.6 million, respectively.

Related party costs and expenses for the second quarter of fiscal 2017 and 2016, net of eliminations, were $17.3 million and $17.0 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 ENTITIES

CONDENSED CONSOLIDATED Statements of operations

	Six Months Ended September 30, 2016	2015
	(Unaudited) (In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	$1,358,046	$1,327,505
Self-storage revenues	139,885	119,251
Self-moving and self-storage products and service sales	147,633	147,961
Property management fees	13,316	12,431
Life insurance premiums	81,785	80,781
Property and casualty insurance premiums	25,264	23,928
Net investment and interest income	53,365	44,123
Other revenue	103,026	91,728
Total revenues	1,922,320	1,847,708
Costs and expenses:		
Operating expenses	783,295	769,451
Commission expenses	154,278	153,857
Cost of sales	84,314	81,136
Benefits and losses	93,839	86,819
Amortization of deferred policy acquisition costs	13,931	10,421
Lease expense	20,397	29,788
Depreciation, net of (gains) on disposals of (($28,258) and ($78,805), respectively)	205,285	114,060
Total costs and expenses	1,355,339	1,245,532
Earnings from operations	566,981	602,176
Interest expense	(54,859)	(46,073)
Pretax earnings	512,122	556,103
Income tax expense	(188,474)	(201,439)
Earnings available to common stockholders	$323,648	$354,664
Basic and diluted earnings per common share	$16.52	$18.10
Weighted average common shares outstanding: Basic and diluted	19,586,240	19,596,921

Related party revenues for the first six months of fiscal 2017 and 2016, net of eliminations, were $15.8 million and $16.0 million, respectively.

Related party costs and expenses for the first six months of fiscal 2017 and 2016, net of eliminations, were $34.3 million and $32.6 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 ENTITIES

Condensed consolidatED statements of COMPREHENSIVE INCOME (loss)

Quarter Ended September 30, 2016	Pre-tax	Tax	Net
	(Unaudited)		
	(In thousands)		
Comprehensive income:			
Net earnings	$278,991	$(102,516)	$176,475
Other comprehensive income (loss):			
Foreign currency translation	(1,704)	–	(1,704)
Unrealized net gain on investments	30,790	(10,777)	20,013
Change in fair value of cash flow hedges	3,105	(1,179)	1,926
Total comprehensive income	$311,182	$(114,472)	$196,710

Quarter Ended September 30, 2015	Pre-tax	Tax	Net
	(Unaudited)		
	(In thousands)		
Comprehensive income:			
Net earnings	$287,095	$(103,716)	$183,379
Other comprehensive income (loss):			
Foreign currency translation	(13,098)	–	(13,098)
Unrealized net loss on investments	(31,625)	11,069	(20,556)
Change in fair value of cash flow hedges	1,235	(469)	766
Total comprehensive income	$243,607	$(93,116)	$150,491

Six Months Ended September 30, 2016	Pre-tax	Tax	Net
	(Unaudited)		
	(In thousands)		
Comprehensive income:			
Net earnings	$512,122	$(188,474)	$323,648
Other comprehensive income (loss):			
Foreign currency translation	(1,982)	–	(1,982)
Unrealized net gain on investments	60,618	(21,217)	39,401
Change in fair value of cash flow hedges	5,186	(1,970)	3,216
Total comprehensive income	$575,944	$(211,661)	$364,283

Six Months Ended September 30, 2015	Pre-tax	Tax	Net
	(Unaudited)		
	(In thousands)		
Comprehensive income:			
Net earnings	$556,103	$(201,439)	$354,664
Other comprehensive income (loss):			
Foreign currency translation	(10,565)	–	(10,565)
Unrealized net loss on investments	(20,972)	7,341	(13,631)
Change in fair value of cash flow hedges	4,605	(1,750)	2,855
Total comprehensive income	$529,171	$(195,848)	$333,323

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,	
	2016	2015
	(Unaudited)	
	(In thousands)	
Cash flow from operating activities:		
Net earnings	$ 323,648	$ 354,664
Adjustments to reconcile net earnings to cash provided by operations:		
Depreciation	233,543	192,865
Amortization of deferred policy acquisition costs	13,931	10,421
Amortization of debt issuance costs	1,765	1,512
Interest credited to policyholders	11,028	10,484
Change in allowance for losses on trade receivables	34	(9)
Change in allowance for inventory reserves	800	(603)
Net gain on sale of real and personal property	(28,258)	(78,805)
Net gain on sale of investments	(4,645)	(3,022)
Deferred income taxes	114,724	27,259
Net change in other operating assets and liabilities:		
Reinsurance recoverables and trade receivables	(8,102)	13,618
Inventories	(2,674)	(2,107)
Prepaid expenses	46,248	71,813
Capitalization of deferred policy acquisition costs	(14,360)	(15,636)
Other assets	(8,695)	16,794
Related party assets	5,195	57,767
Accounts payable and accrued expenses	45,162	59,525
Policy benefits and losses, claims and loss expenses payable	16,922	11,702
Other policyholders' funds and liabilities	1,563	2,684
Deferred income	5,034	2,339
Related party liabilities	232	(97)
Net cash provided by operating activities	753,095	733,168
Cash flows from investing activities:		
Purchases of:		
Property, plant and equipment	(761,277)	(720,265)
Short term investments	(409,925)	(249,082)
Fixed maturities investments	(168,817)	(169,899)
Equity securities	(489)	(1,315)
Preferred stock	–	(3)
Real estate	(15,788)	(23)
Mortgage loans	(136,682)	(86,361)
Proceeds from sales and paydowns of:		
Property, plant and equipment	310,409	379,198
Short term investments	386,508	243,634
Fixed maturities investments	120,525	89,085
Equity securities	–	808
Preferred stock	2,651	–

Real estate	831	–
Mortgage loans	105,731	29,895
Net cash used by investing activities	(566,323)	(484,328)
Cash flows from financing activities:		
Borrowings from credit facilities	331,787	461,735
Principal repayments on credit facilities	(158,479)	(187,958)
Debt issuance costs	(2,085)	(5,957)
Capital lease payments	(83,414)	(77,786)
Employee Stock Ownership Plan	(4,653)	(1,484)
Securitization deposits	245	298
Common stock dividends paid	(19,586)	(19,594)
Investment contract deposits	130,166	140,220
Investment contract withdrawals	(49,555)	(25,974)
Net cash provided by financing activities	144,426	283,500
Effects of exchange rate on cash	(10,517)	(12,543)
Increase in cash and cash equivalents	320,681	519,797
Cash and cash equivalents at the beginning of period	600,646	441,850
Cash and cash equivalents at the end of period	$ 921,327	$ 961,647

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

AMERCO and consolidated entities

notes to condensed consolidatED financial statements

1.Basis of Presentation

AMERCO, a Nevada corporation ("AMERCO"), has a second fiscal quarter that 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 presentation of financial position or results of operations. We disclose any material events, if any, occurring during the intervening period. Consequently, all references to our insurance subsidiaries' years 2016 and 2015 correspond to fiscal 2017 and 2016 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 September 30, 2016 and the related condensed consolidated statements of operations, comprehensive income (loss) for the second quarter and first six months and cash flows for the first six months of fiscal 2017 and 2016 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, 2016.

Intercompany accounts and transactions have been eliminated.

Description of Legal Entities

AMERCO is the holding company for:

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

Amerco Real Estate Company ("Real Estate"),

Repwest Insurance Company ("Repwest"), and

Oxford Life Insurance Company ("Oxford").

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

Description of Operating Segments

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

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

AMERCO and consolidated entities

notes to condensed consolidatED financial statements (Continued)

The Property and Casualty Insurance operating segment ("Property and Casualty Insurance") includes Repwest and its wholly-owned subsidiaries and ARCOA Risk Retention Group ("ARCOA"). Property and Casualty Insurance provides loss adjusting and claims handling for U-Haul through regional offices across North America. 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 products in other U-Haul related programs. ARCOA is a group captive insurer owned by us and our wholly-owned subsidiaries whose purpose is to provide insurance products related to the 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 21,219 and 9,280 as of September 30, 2016 and 2015, respectively.

3. Investments

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

We deposit bonds with insurance regulatory authorities to meet statutory requirements. The adjusted cost of bonds on deposit with insurance regulatory authorities was $17.2 million and $17.3 million at September 30, 2016 and March 31, 2016, respectively.

Available-for-Sale Investments

Available-for-sale investments at September 30, 2016 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	$73,751	$7,216	$–	$–	$ 80,967
	29,902	2,116	(6)	(2)	32,010

U.S. government agency mortgage-backed securities					
Obligations of states and political subdivisions	161,620	16,285	(11)	–	177,894
Corporate securities	1,198,017	67,183	(7,775)	(3,266)	1,254,159
Mortgage-backed securities	42,765	1,238	–	(38)	43,965
Redeemable preferred stocks	15,332	795	–	(127)	16,000
Common stocks	17,970	9,482	(10)	(17)	27,425
	$1,539,357	$104,315	$(7,802)	$(3,450)	$ 1,632,420

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AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Available-for-sale investments at March 31, 2016 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	$85,861	$3,791	$–	$(193)	$ 89,459
U.S. government agency mortgage-backed securities	21,845	1,596	(6)	(39)	23,396
Obligations of states and political subdivisions	166,725	10,660	(81)	(414)	176,890
Corporate securities	1,143,125	26,861	(8,013)	(28,181)	1,133,792
Mortgage-backed securities	42,991	475	–	(62)	43,404
Redeemable preferred stocks	17,977	556	–	(105)	18,428
Common stocks	17,732	7,822	(10)	(375)	25,169
	$1,496,256	$51,761	$(8,110)	$(29,369)	$ 1,510,538

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 $120.7 million during the first six months of fiscal 2017. The gross realized gains on these sales totaled $3.1 million. The gross realized losses on these sales totaled $0.9 million.

The unrealized losses of more than twelve months in the available-for-sale tables are considered temporary declines. We track each investment with an unrealized loss and evaluate it on an individual basis for other-than-temporary impairments including obtaining corroborating opinions from third party sources, performing trend analysis and reviewing management’s future plans. Certain of these investments may have declines determined by management to be other-than-temporary and we recognize these write-downs, if any, through earnings. There were no write downs in the second quarter or for the first six months of fiscal 2017 or 2016.

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

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

There were no credit losses recognized in earnings for which a portion of an other-than-temporary impairment was recognized in accumulated other comprehensive income (loss) for the second quarter or first six months of fiscal 2017.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

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

	September 30, 2016 Amortized Cost	Estimated Market Value	March 31, 2016 Amortized Cost	Estimated Market Value
	(Unaudited)			
	(In thousands)			
Due in one year or less	$29,344	$29,790	$48,679	$49,146
Due after one year through five years	316,614	330,006	250,576	256,597
Due after five years through ten years	570,836	602,486	557,984	557,961
Due after ten years	546,496	582,748	560,317	559,833
	1,463,290	1,545,030	1,417,556	1,423,537
Mortgage backed securities	42,765	43,965	42,991	43,404
Redeemable preferred stocks	15,332	16,000	17,977	18,428
Common stocks	17,970	27,425	17,732	25,169
	$1,539,357	$1,632,420	$1,496,256	$1,510,538

4. Borrowings

Long-Term Debt

Long-term debt was as follows:

	2016 Rate (a)	Maturities	September 30, 2016	March 31, 2016
			(Unaudited)	
			(In thousands)	
Real estate loan (amortizing term)	2.02% - 6.93%	2023	$174,289	$205,000
Senior mortgages	2.53% - 5.50%	2017 - 2038	1,202,737	1,121,897
Working capital loan (revolving credit)	-	2018	–	–
Fleet loans (amortizing term)	1.95% - 4.76%	2017 - 2023	227,781	218,998
Fleet loans (securitization)	4.90%	2017	56,195	62,838
Fleet loans (revolving credit)	1.67% - 2.37%	2018 - 2021	462,000	347,000
Capital leases (rental equipment)	2.12% - 7.69%	2016 - 2023	826,931	672,825
Other obligations	3.00% - 8.00%	2016 - 2045	66,238	60,200
Notes, loans and leases payable			3,016,171	2,688,758
Less: Debt issuance costs			(23,681)	(23,362)
Total notes, loans and leases payable			$2,992,490	$2,665,396

(a) Interest rate as of September 30, 2016, including the effect of applicable hedging instruments.

Real Estate Backed Loans

Real Estate Loan

Amerco Real Estate Company and certain of its subsidiaries and U-Haul Company of Florida are borrowers under a Real Estate Loan. As of September 30, 2016, the outstanding balance on the Real Estate Loan was $174.3 million. The Real Estate Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The Real Estate Loan is secured by various properties owned by the borrowers. The final maturity of the term loan is April 2023.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The interest rate, per the provisions of the amended loan agreement, is the applicable London Inter-Bank Offer Rate ("LIBOR") plus the applicable margin. At September 30, 2016, the applicable LIBOR was 0.52% and the applicable margin was 1.50%, the sum of which was 2.02%, which was applied to $41.5 million of the Real Estate Loan. The rate of the remaining balance of $132.8 million of the Real Estate Loan is hedged with an interest rate swap fixing the rate at 6.93% based on current margin. The interest rate swap expires in August 2018, after which date the remaining balance will incur interest at a rate of LIBOR plus a margin of 1.50%. The default provisions of the Real Estate Loan include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

Senior Mortgages

Various subsidiaries of Amerco Real Estate Company and U-Haul International, Inc. are borrowers under certain senior mortgages. These senior mortgage loan balances as of September 30, 2016 were in the aggregate amount of $1,202.7 million and mature between 2017 and 2038. The senior mortgages require monthly principal and interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. The senior mortgages are secured by certain properties owned by the borrowers. The fixed interest rates, per the provisions of the senior mortgages, range between 3.72% and 5.50%. 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, $133.6 million of these loans have variable interest rates comprised of applicable LIBOR base rates between 0.51% and 0.53% plus margins between 2.00% and 2.50%, the sum of which was between 2.53% and 3.03%. Amerco Real Estate Company and U-Haul International, Inc. have provided limited guarantees of the senior mortgages. The default provisions of the senior mortgages include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

Working Capital Loans

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 $50.0 million. At September 30, 2016 the full $50.0 million was available to be drawn. This loan is secured by certain properties owned by the borrower. This loan agreement provides for revolving loans, subject to the terms of the loan agreement. The final maturity of this loan is September 2018. This loan requires monthly interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. The interest rate is the applicable LIBOR plus a margin of 1.25%. AMERCO is the guarantor of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

Fleet Loans

Rental Truck Amortizing Loans

U-Haul International, Inc. and/or several of its subsidiaries are borrowers under amortizing term loans. The balance of the loans as of September 30, 2016 was $227.8 million with the final maturities between July 2017 and Sept 2023.

The Amortizing Loans require monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. These loans were used to purchase new trucks. The interest rates, per the provision of the Loan Agreements, are the applicable LIBOR plus the applicable margins. At September 30, 2016, the applicable LIBOR was 0.52% and applicable margins were between 1.72% and 2.50%. The interest rates are hedged with interest rate swaps fixing the rates between 2.82% and 4.76% based on current margins. Additionally, $155.6 million of these loans are carried at fixed rates ranging between 1.95% and 3.94%.

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

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AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Rental Truck Securitizations

2010 U-Haul S Fleet and its subsidiaries (collectively, “2010 USF”) issued a $155.0 million asset-backed note (“2010 Box Truck Note”). 2010 USF is a bankruptcy-remote special purpose entity wholly-owned by U-Haul International, Inc. The net proceeds from the securitized transaction were used to finance new box truck purchases. U.S. Bank, NA acts as the trustee for this securitization.

The 2010 Box Truck Note has a fixed interest rate of 4.90% with an expected final maturity of October 2017. At September 30, 2016, the outstanding balance was $56.2 million. The note is secured by the box trucks purchased and the corresponding operating cash flows associated with their operation.

The 2010 Box Truck Note is subject to certain covenants with respect to liens, additional indebtedness of the special purpose entity, the disposition of assets and other customary covenants of bankruptcy-remote special purpose entities. The default provisions of this note include non-payment of principal or interest and other standard reporting and change-in-control covenants.

Rental Truck Revolvers

Various subsidiaries of U-Haul International, Inc. entered into a revolving fleet loan for $150 million, which can be increased to a maximum of $225 million. The loan matures in September 2018. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus the applicable margin. At September 30, 2016, the applicable LIBOR was 0.52% and the margin was 1.15%, the sum of which was 1.67%. Only interest is paid on the loan until the last nine months when principal is due monthly. As of September 30, 2016, the outstanding balance was $150.0 million.

Various subsidiaries of U-Haul International, Inc. entered into a revolving fleet loan for $100 million, which can be increased to a maximum of $215 million. This loan matures March 2020. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus the applicable margin. At September 30, 2016, the applicable LIBOR was 0.52% and the margin was 1.15%, the sum of which was 1.67%. Only interest is paid on the loan until the last nine months when principal is due monthly. As of September 30, 2016, the outstanding balance was $147.0 million.

Various subsidiaries of U-Haul International, Inc. entered into a revolving fleet loan for $70 million. The loan matures in May 2019. In August 2016, the amount was reduced to $50.0 million. This agreement contains an option to extend the maturity through January 2020. At September 30, 2016, the applicable LIBOR was 0.52% and the margin was 1.85%, the sum of which was 2.37%. Only interest is paid during the first five years of the loan with principal due upon maturity. As of September 30, 2016, the outstanding balance was $40.0 million.

Various subsidiaries of U-Haul International, Inc. entered into a revolving fleet loan for $125 million. The loan matures in November 2021. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus the applicable margin. At September 30, 2016, the applicable LIBOR was 0.52% and the margin was 1.15%, the sum of which was 1.67%. Only interest is paid on the loan until the last nine months when principal is due monthly. As of September 30, 2016, the outstanding balance was $125.0 million.

Capital Leases

We regularly enter into capital leases for new equipment with the terms of the leases between five and seven years. During the first six months of fiscal 2017, we entered into $233.9 million of new capital leases. At September 30, 2016, the balance of our capital leases was $826.9 million. The net book value of the corresponding capitalized assets was $1,161.1 million at September 30, 2016.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

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 rental equipment and real estate. U-Notes are issued in smaller series that vary as to principal amount, interest rate and maturity. U-Notes are obligations of the Company and secured by the associated collateral; they are not guaranteed by any of the Company's affiliates or subsidiaries.

At September 30, 2016, the aggregate outstanding principal balance of the U-Notes issued was $71.1 million of which $4.9 million is held by our insurance subsidiaries and eliminated in consolidation. Interest rates range between 3.00% and 8.00% and maturity dates range between 2016 and 2045.

Oxford is a member of the Federal Home Loan Bank ("FHLB") and as such the FHLB has made a deposit with Oxford. As of June 30, 2016, the deposit balance was $30.0 million which Oxford pays a fixed interest rate of 0.57% due on the maturity date of September 30, 2016. The balance of the deposit is included within Liabilities from investment contracts on the consolidated balance sheet.

Annual Maturities of Notes, Loans and Leases Payable

The annual maturities of long-term debt, including capital leases and excluding debt issuance costs, as of September 30, 2016 for the next five years and thereafter are as follows:

	Twelve Months Ending September 30,					
	2017	2018	2019	2020	2021	Thereafter
	(Unaudited)					
	(In thousands)					
Notes, loans and leases payable, secured	$346,831	$495,063	$375,839	$350,039	$340,688	$1,107,711

Interest on Borrowings

Interest Expense

Components of interest expense include the following:

	Quarter Ended September 30,	
	2016	2015
	(Unaudited)	
	(In thousands)	
Interest expense	$26,105	$20,762
Capitalized interest	(985)	(871)
Amortization of transaction costs	804	748
Interest expense resulting from derivatives	2,291	3,334
Total interest expense	28,215	23,973

	Six Months Ended September 30,	
	2016	2015
	(Unaudited)	
	(In thousands)	
Interest expense	$50,408	$39,304
Capitalized interest	(2,298)	(1,422)
Amortization of transaction costs	1,647	1,491
Interest expense resulting from derivatives	5,102	6,700
Total interest expense	54,859	46,073

Interest paid in cash, including payments related to derivative contracts, amounted to $28.1 million and $22.6 million for the second quarter of fiscal 2017 and 2016, respectively and $55.3 million and $44.6 million for the first six months of fiscal 2017 and 2016, respectively.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Interest Rates

Interest rates and Company borrowings were as follows:

	Revolving Credit Activity Quarter Ended September 30,	
	2016	2015
	(Unaudited)	
	(In thousands, except interest rates)	
Weighted average interest rate during the quarter	1.73%	1.63%
Interest rate at the end of the quarter	1.73%	1.63%
Maximum amount outstanding during the quarter	$462,000	$250,000
Average amount outstanding during the quarter	$431,815	$234,348
Facility fees	$49	$50

	Revolving Credit Activity Six Months Ended September 30,	
	2016	2015
	(Unaudited)	
	(In thousands, except interest rates)	
Weighted average interest rate during the period	1.73%	1.64%
Interest rate at the end of the period	1.73%	1.63%
Maximum amount outstanding during the period	$462,000	$250,000
Average amount outstanding during the period	$400,896	$207,678
Facility fees	$89	$144

5. Derivatives

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

	Agreement Date	Effective Date	Expiration Date	Designated cash flow hedge date

Original variable rate debt amount (Unaudited) (In millions)					
$ 300.0		8/16/2006	8/18/2006	8/10/2018	8/4/2006
14.7	(a)	7/6/2010	8/15/2010	7/15/2017	7/6/2010
25.0	(a)	4/26/2011	6/1/2011	6/1/2018	6/1/2011
50.0	(a)	7/29/2011	8/15/2011	8/15/2018	7/29/2011
20.0	(a)	8/3/2011	9/12/2011	9/10/2018	8/3/2011
15.1	(b)	3/27/2012	3/28/2012	3/28/2019	3/26/2012
25.0		4/13/2012	4/16/2012	4/1/2019	4/12/2012
44.3		1/11/2013	1/15/2013	12/15/2019	1/11/2013

(a) forward swap
(b) operating lease

As of September 30, 2016, the total notional amount of our variable interest rate swaps on debt and an operating lease was $205.9 million and $8.6 million, respectively.

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AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

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

	Liability Derivatives Fair Values as of	
	September 30, 2016	March 31, 2016
	(Unaudited)	
	(In thousands)	
Interest rate contracts designated as hedging instruments	$9,654	$14,845

	The Effect of Interest Rate Contracts on the Statements of Operations for the Six Months Ended	
	September 30, 2016	September 30, 2015
	(Unaudited)	
	(In thousands)	
Loss recognized in income on interest rate contracts	$5,102	$6,700
Gain recognized in AOCI on interest rate contracts (effective portion)	$(5,186)	$(4,605)
Loss reclassified from AOCI into income (effective portion)	$5,107	$6,621
(Gain) loss recognized in income on interest rate contracts (ineffective portion and amount excluded from effectiveness testing)	$(5)	$79

Gains or losses recognized in income on derivatives are recorded as interest expense in the statements of operations. During the first six months of fiscal 2017, we recognized an increase in the fair value of our cash flow hedges of $3.2 million, net of taxes. Embedded in this gain was $5.1 million of losses reclassified from accumulated other comprehensive income to interest expense during the first six months of fiscal 2017, net of taxes. At September 30, 2016, we expect to reclassify $6.9 million of net losses on interest rate contracts from accumulated other comprehensive income to earnings as interest expense over the next twelve months.

6. Comprehensive Income (Loss)

A summary of accumulated other comprehensive income (loss) 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 at March 31, 2016	$(63,643)	$14,115	$(9,208)	$(1,789)	$(60,525)
Foreign currency translation	(1,982)	–	–	–	(1,982)
Unrealized net gain on investments	–	39,401	–	–	39,401
Change in fair value of cash flow hedges	–	–	8,323	–	8,323

Amounts reclassified from AOCI	–	–	(5,107)	–	(5,107)
Other comprehensive income (loss)	(1,982)	39,401	3,216	–	40,635
Balance at September 30, 2016	$(65,625)	$53,516	$(5,992)	$(1,789)	$(19,890)

7. Stockholders’ Equity

On March 15, 2016, we declared a cash dividend on our Common Stock of $1.00 per share to holders of record on April 5, 2016. The dividend was paid on April 21, 2016.

On October 5, 2016, we declared a cash dividend on our Common Stock of $1.00 per share to holders of record on October 20, 2016. The dividend was paid on November 3, 2016.

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On June 8, 2016, the stockholder's approved the 2016 AMERCO Stock Option Plan (Shelf Stock Option Plan). As of September 30, 2016, no awards had been issued under this plan.

8. Contingent Liabilities and Commitments

We lease a portion of our rental equipment and certain of our facilities under operating leases with terms that expire at various dates substantially through 2019. As of September 30, 2016, we have guaranteed $20.4 million of residual values for these rental equipment assets at the end of the respective lease terms. Certain leases contain renewal and fair market value purchase options as well as mileage and other restrictions. At the expiration of the lease, we have the option to renew the lease, purchase the asset for fair market value, or sell the asset to a third party on behalf of the lessor. We have been leasing equipment since 1987 and have experienced no material losses relating to these types of residual value guarantees.

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

	Property, Plant and Equipment	Rental Equipment	Total
	(Unaudited)		
		(In thousands)	
Twelve Months Ended September 30:			
2017	$15,966	$12,110	$28,076
2018	14,908	10,395	25,303
2019	14,769	5,428	20,197
2020	15,556	–	15,556
2021	15,363	–	15,363
Thereafter	45,168	–	45,168
Total	$121,730	$27,933	$149,663

9. Contingencies

PODS Enterprises, Inc. v. U-Haul International, Inc.

On July 3, 2012, PODS Enterprises, Inc. ("PEI"), filed a lawsuit against U-Haul International, Inc. ("U-Haul"), in the United States District Court for the Middle District of Florida, Tampa Division, alleging (1) Federal Trademark Infringement under Section 32 of the Lanham Act, (2) Federal Unfair Competition under Section 43(a) of the Lanham Act, (3) Federal Trademark dilution by blurring in violation of Section 43(c) of the Lanham Act, (4) common law trademark infringement under Florida law, (5) violation of the Florida Dilution; Injury to Business Reputation statute, (6) unfair competition and trade practices, false advertising and passing off under Florida common law, (7) violation of the Florida Deceptive and Unfair Trade Practices Act, and (8) unjust enrichment under Florida law.

The claims arose from U-Haul's use of the word "pod" and "pods" as a generic term for its U-Box moving and storage product. PEI alleged that such use is an inappropriate use of its PODS mark. Under the claims alleged in its Complaint, PEI sought a Court Order permanently enjoining U-Haul from: (1) the use of the PODS mark, or any other trade name or trademark confusingly similar to the mark; and (2) the use of any false descriptions or representations or committing any acts of unfair competition by using the PODS mark or any trade name or trademark confusingly similar to the mark. PEI also sought a Court Order (1) finding all of PEI's trademarks valid and enforceable and (2) requiring U-Haul to alter all web pages to promptly remove the PODS mark from all websites owned or operated on behalf of U-Haul. Finally, PEI sought an award of damages in an amount to be proven at trial, but which were alleged to be approximately $70 million. PEI also sought pre-judgment interest, trebled damages, and punitive damages.

U-Haul did not believe that PEI's claims had merit and vigorously defended the lawsuit. On September 17, 2012, U-Haul filed its Counterclaims, seeking a Court Order declaring that: (1) U-Haul's use of the term "pods" or "pod" does not infringe or dilute PEI's purported trademarks or violate any of PEI's purported rights; (2) the purported mark "PODS" is not a valid, protectable, or registrable trademark; and (3) the purported mark "PODS PORTABLE ON DEMAND STORAGE" is not a valid, protectable, or registrable trademark. U-Haul also sought a Court Order cancelling the marks at issue in the case.

The case was tried to a jury beginning on September 8, 2014.

On September 25, 2014, the jury returned a unanimous verdict, finding in favor of PEI and against U-Haul on all claims and counterclaims. The jury awarded PEI $45 million in actual damages and $15.7 million in U-Haul's alleged profits attributable to its use of the term "pod" or "pods."

On October 1, 2014, the Court ordered briefing on U-Haul's oral motion for directed verdict on its genericness defense, the motion on which the Court had deferred ruling during trial. Pursuant to the Court's order, the parties' briefing on that motion was completed by October 21, 2014.

After hearing previously deferred motions, on March 11, 2015, the Court entered Judgment on the jury verdict in favor of PEI and against U-Haul in the amount of $60.7 million. This was recorded as an accrual in our financial statements.

On August 24, 2015, the Court entered a permanent injunction, and awarded PEI $4.9 million in pre-judgment interest, $82,727 in costs, and post-judgment interest at the rate of 0.25%, beginning March 11, 2015, computed daily and compounded annually. This was recorded as an accrual of $5.0 million in our financial statements during fiscal 2016.

On September 13, 2016, before oral argument, before the Eleventh Circuit Court of Appeals, the parties reached a settlement in principle, for $41.4 million. On October 10, 2016, the parties signed a formal written settlement agreement. U-Haul wired the settlement payment on or about October 12, 2016. The parties are in the process of completing their remaining respective performances under the terms of the settlement agreement.

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 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 AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

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

SAC Holding Corporation and SAC Holding II Corporation (collectively "SAC Holdings") were established in order to acquire and develop self-storage properties. These properties are being managed by us pursuant to management agreements. In the past, we sold real estate and various self-storage properties to SAC Holdings, and such sales provided significant cash flows to us.

Related Party Revenue

	Quarter Ended September 30,	
	2016	2015
	(Unaudited)	
	(In thousands)	
U-Haul interest income revenue from SAC Holdings	$1,232	$1,249
U-Haul interest income revenue from Private Mini	–	–
U-Haul management fee revenue from SAC Holdings	5,189	4,883
U-Haul management fee revenue from Private Mini	931	878
U-Haul management fee revenue from Mercury	592	559
	$7,944	$7,569

	Six Months Ended September 30,	
	2016	2015
	(Unaudited)	
	(In thousands)	
U-Haul interest income revenue from SAC Holdings	$2,455	$2,488
U-Haul interest income revenue from Private Mini	–	1,126
U-Haul management fee revenue from SAC Holdings	10,308	9,697
U-Haul management fee revenue from Private Mini	1,832	1,624
U-Haul management fee revenue from Mercury	1,176	1,110
	$15,771	$16,045

During the first six months of fiscal 2017, a subsidiary of ours held a junior unsecured note from SAC Holdings. Substantially all of the equity interest of SAC Holdings is controlled by Blackwater Investments, Inc. ("Blackwater"). Blackwater is wholly-owned by Willow Grove Holdings LP, 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 shareholder) and Mark V. Shoen. We do not have an equity ownership interest in SAC Holdings. We received cash interest payments of $2.3 million from SAC Holdings during both the first six months of fiscal 2017 and

2016. The largest aggregate amount of notes receivable outstanding during the first six months of fiscal 2017 was $49.3 million and the aggregate notes receivable balance at September 30, 2016 was $48.7 million. In accordance with the terms of this note, SAC Holdings may prepay the notes without penalty or premium at any time. The scheduled maturity of this note is 2017.

During the first six months of fiscal 2017, AMERCO held a junior note issued by Private Mini Storage Realty, L.P. (“Private Mini”). The equity interests of Private Mini are ultimately controlled by Blackwater. We received cash interest payments of $1.5 million from Private Mini during the first six months of fiscal 2016. In July 2015, Private Mini repaid its note and all outstanding interest due AMERCO totaling $56.8 million.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

We currently manage 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 we receive a management fee of between 4% and 10% of the gross receipts plus reimbursement for certain expenses. We received cash payments for management fees, exclusive of reimbursed expenses, of $15.5 million from the above mentioned entities during both the first six months of fiscal 2017 and 2016. This management fee is consistent with the fee received for other properties we previously managed for third parties. SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini are substantially controlled by Blackwater. Mark V. Shoen controls the general partner of Mercury. The limited partner interests of Mercury are indirectly owned by Mark V. Shoen, James P. Shoen, (a significant stockholder) and a trust benefitting the children and grandchild of Edward J. Shoen.

Related Party Costs and Expenses

	Quarter Ended September 30,	
	2016	2015
	(Unaudited)	
	(In thousands)	
U-Haul lease expenses to SAC Holdings	$684	$654
U-Haul commission expenses to SAC Holdings	16,007	15,268
U-Haul commission expenses to Private Mini	1,121	1,058
	$17,812	$16,980

	Six Months Ended September 30,	
	2016	2015
	(Unaudited)	
	(In thousands)	
U-Haul lease expenses to SAC Holdings	$1,372	$1,308
U-Haul commission expenses to SAC Holdings	30,708	29,259
U-Haul commission expenses to Private Mini	2,173	2,038
	$34,253	$32,605

We lease space for marketing company offices, vehicle repair shops and hitch installation centers from subsidiaries of SAC Holdings, 5 SAC and Galaxy. The terms of the leases are similar to the terms of leases for other properties owned by unrelated parties that are leased to us.

At September 30, 2016, 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 our other independent dealers whereby commissions are paid by us based upon equipment rental revenues.

These agreements and note with subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini, excluding Dealer Agreements, provided revenues of $14.6 million, expenses of $1.4 million and cash flows of $13.6 million during the first six months of fiscal 2017. Revenues and commission expenses related to the Dealer Agreements were

$152.6 million and $32.9 million, respectively during the first six months of fiscal 2017.

Pursuant to the variable interest entity model under Accounting Standards Codification ("ASC") 810 – Consolidation ("ASC 810"), Management determined that the junior note of SAC Holdings as well as the management agreements with SAC Holdings, Mercury, 4 SAC, 5 SAC, Galaxy, and Private Mini represents potential variable interests for us. Management evaluated whether it should be identified as the primary beneficiary of one or more of these VIEs using a two-step approach in which management (i) identified all other parties that hold interests in the VIEs, and (ii) determined if any variable interest holder has the power to direct the activities of the VIEs that most significantly impact their economic performance.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Management determined that they do not have a variable interest in the holding entities SAC Holding II Corporation, Private Mini, Mercury, 4 SAC, 5 SAC, or Galaxy based upon management agreements which are with the individual operating entities or through the issuance of junior debt; therefore, we are precluded from consolidating these entities.

We have junior debt with the holding entity SAC Holding Corporation which represents a variable interest in the entity. Though we have certain protective rights within this debt agreement, we have no present influence or control over this holding entity unless the protective rights become exercisable, which management considers unlikely based on their payment history. As a result, we have no basis under ASC 810 to consolidate this entity.

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

We have not provided financial or other support explicitly or implicitly during the quarter ended September 30, 2016 to any of these entities that it was not previously contractually required to provide. In addition, we currently have no plan to provide any financial support to any of these entities in the future. The carrying amount and classification of the assets and liabilities in our balance sheets that relate to our variable interests in the aforementioned entities are as follows, which approximate the maximum exposure to loss as a result of our involvement with these entities:

Related Party Assets

	September 30, 2016	March 31, 2016
	(Unaudited)	
	(In thousands)	
U-Haul notes, receivables and interest from Private Mini	$2,394	$2,752
U-Haul note receivable from SAC Holdings	48,742	49,322
U-Haul interest receivable from SAC Holdings	5,167	4,970
U-Haul receivable from SAC Holdings	18,013	20,375
U-Haul receivable from Mercury	5,105	8,016
Other (a)	750	299
	$80,171	$85,734

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

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

11. Consolidating Financial Information by Industry Segment

AMERCO's three reportable segments are:

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

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

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

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

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

11. Financial Information by Consolidating Industry Segment:

Consolidating balance sheets by industry segment as of September 30, 2016 are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	AMERCO Consolidated
	(Unaudited)				
	(In thousands)				
Assets:					
Cash and cash equivalents	$907,861	$11,775	$1,691	$–	$921,327
Reinsurance recoverables and trade receivables, net	40,590	111,548	31,105	–	183,243
Inventories, net	81,609	–	–	–	81,609
Prepaid expenses	87,968	–	–	–	87,968
Investments, fixed maturities and marketable equities	–	245,627	1,386,793	–	1,632,420
Investments, other					