

NEWS RELEASE

FOR IMMEDIATE RELEASE

PICO HOLDINGS, INC. ANNOUNCES RESULTS FOR THE FIRST QUARTER OF 2007

(LA JOLLA, CALIFORNIA)—May 10, 2007—PICO Holdings, Inc. (NASDAQ: PICO) reported shareholders' equity of \$513.9 million (\$27.48 per share) at March 31, 2007, compared to shareholders' equity of \$405.2 million (\$25.52 per share) at December 31, 2006, and \$302.2 million (\$22.77 per share) at March 31, 2006.

During the first quarter of 2007, shareholders' equity increased by \$108.7 million, representing growth in book value per share of 7.7%. The principal contributors to the growth in shareholders' equity were the issuance of 2.8 million new shares for net proceeds of \$100.2 million at a price of \$37 per share, and a \$7.8 million net increase in unrealized appreciation in investments (after-tax).

In the first quarter of 2007, PICO earned net income of \$521,000 (\$0.03 per share), compared to net income of \$7.2 million (\$0.54 per share) in the first quarter of 2006.

Commenting on the highlights of 2007 so far, PICO's President and Chief Executive Officer, John Hart, said:

"On February 28, 2007, we raised net proceeds of \$100.2 million from the sale of 2.8 million new PICO shares at \$37 per share. We have allocated the bulk of this capital to our water resource development subsidiary, Vidler Water Company, Inc. Vidler is actively pursuing a number of projects and reviewing other water resource development opportunities to put this capital to work.

"During the first quarter, Vidler continued construction of the 38 mile-long pipeline, and related infrastructure, to convey 8,000 acre-feet of water annually from Fish Springs Ranch to the fast-growing northern valleys of Reno, Nevada.

"As of March 31, 2007, approximately 55% of the project was completed, on time and on budget.

"In October 2006, the Pyramid Lake Tribe filed an action against the Bureau of Land Management and the U.S. Department of the Interior in Federal District Court, which alleged that the Tribe had been "informationally harmed" by the BLM not complying with diligence requirements regarding wastewater treatment options in the Truckee Meadows, including the wastewater that might result from the Fish Springs pipeline project. As of April 30, 2007, construction on the pipeline project is restricted to the private lands along the pipeline route and the existing open trench on the public lands, pending a hearing, which has been set for June 2007. The hearing will determine whether the BLM complied with the diligence requirements or "hard look" before issuing the Record Of Decision for a right of way, or if the Tribe has been "informationally harmed," as they claim. Of the 38 miles of total pipeline, there are only 10 miles of pipeline remaining to be constructed on public lands.

"We believe that the Tribe's claim is patently frivolous. This same protest and request for stay was dismissed by the Interior Board of Land Appeals last year. There are nearly 9,000 pages of administrative record supporting the BLM's required "hard look" at the project, which included the wastewater that might be generated by the "imported" water brought in from Fish Springs. Also, for years, members of the Tribe have served as members of the Washoe County Regional Water Planning Commission, and had full knowledge of all of the various reports and data that they now claim to be the basis for their "informational harm". Furthermore, the Tribe has been a previous litigant with the Truckee Meadows Water Reclamation Facility, resulting in the 1996 Truckee River Water Quality Settlement Act which specifically deals with the treatment of wastewater in the Truckee Meadows. Finally, the existing and any future wastewater discharges are the subject of existing permits issued by the State of Nevada, pursuant to its delegated authority under the Clean Water Act, providing ample and multiple levels of protection to the Truckee River, the environment, and the public.

"Despite this distraction, we expect that the pipeline will be completed in accordance with the permits, on budget, and on schedule. We anticipate being able to deliver water in late 2007 or early 2008. Demand for water to support development in the northern valleys of Reno continues to exceed the available supply, a long-term trend which, based on population projections, should only increase over time.

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“During 2006, hearings were completed on applications for new water rights at Kane Springs, Nevada, which were jointly filed by the Lincoln County Water District and Vidler. In January 2007, Lincoln/Vidler was awarded 1,000 acre-feet of new water rights, which will be supplied to the Coyote Springs development. Once the final permit is received and a right of way has been obtained, the sale to Coyote Springs is scheduled to close in 30 days. We expect to obtain the right of way later in 2007. The current price is \$6,655 per acre-foot of water. We will continue to pursue additional water from this particular groundwater basin where Lincoln/Vidler maintains priority applications for approximately 17,375 acre-feet of water.

“This year Vidler has made further progress in developing water resources in the Carson City and Lyon County areas of western Nevada, to help resolve system demand and water shortage issues.

“The first step was for Vidler to enter into a water resources teaming agreement with Carson City, after Vidler made a successful submission during Carson City’s “Request For Proposals” during 2006. Carson City and Vidler are working towards expanding water resource treatment options, and obtaining the requisite permits. This could initially result in the creation of 2,000 acre-feet of new water supply. Carson City and Vidler are negotiating a project agreement which will further define their public-private partnership.

“In addition, and separately from our agreement with Carson City, Vidler has obtained an option to acquire 1,000 acre-feet of agricultural water rights, which we intend to deliver to municipal users. Once the water rights have been permitted, we intend to exercise the option and Vidler will construct the infrastructure required to deliver the water for municipal use. Vidler is looking to acquire additional water rights in the Carson City/Lyon County area, and expects to acquire approximately 200 acre-feet of additional water rights in a separate transaction.

“Nevada Land started the year strongly, contributing \$2.2 million in income. During the first quarter of 2007, we sold almost 26,000 acres of former railroad land for \$2.3 million. The gross margin on land sales was \$1.5 million, which represents a gross margin percentage of 66.8%. Demand for our lands remains strong, and we currently have \$8.3 million of sales in escrow scheduled to close later in 2007.

“The following summary is provided as a supplement to the financial statements contained in our 10-Q, to illustrate the relative size of PICO’s assets and activities.”

| Segment | Net Book Value | Percentage |
|---|-----------------|------------|
| Water Resource and Water Storage Operations | \$206.0 million | 40.1% |
| Real Estate Operations | 63.6 million | 12.4% |
| Insurance Operations in “Run Off” | 103.2 million | 20.1% |
| Business Acquisitions and Financing | 141.1 million | 27.4% |
| Shareholders’ Equity | \$513.9 million | 100.0% |

FIRST QUARTER SEGMENT RESULTS OF OPERATIONS

Our first quarter segment results of operations are:

| | 2007 | 2006 |
|---|--------------------|---------------------|
| Income (Loss) Before Taxes & Minority Interest By Operating Segment: | | |
| Water Resource and Water Storage Operations | \$(381,000) | \$(1,179,000) |
| Real Estate Operations | 2,200,000 | 927,000 |
| Insurance Operations in “Run Off” | 1,701,000 | 6,801,000 |
| Business Acquisitions and Financing | (2,075,000) | 6,747,000 |
| Income Before Taxes & Minority Interest | \$1,445,000 | \$13,296,000 |
| Income tax provision | (924,000) | (4,549,000) |
| Minority interest | | 12,000 |
| Loss from discontinued operations, net | | (1,541,000) |
| Net Income | \$521,000 | \$7,218,000 |

PICO is a diversified holding company. PICO seeks to build and operate businesses where significant value can be created from the development of unique assets, and to acquire businesses which we identify as undervalued and where our participation can aid in the recognition of the business's fair value, as well as create additional value.

Our objective is to maximize long-term shareholder value. We manage our operations to achieve a superior return on net assets over the long term, as opposed to short-term earnings. Currently our two major businesses are Vidler Water Company, a water resource development business, and Nevada Land & Resource Company, one of the largest private landowners in the state of Nevada. Vidler is a significant private sector owner of water resources and water storage operations in Nevada and Arizona. Nevada Land owns approximately 535,000 acres of land in northern Nevada, and certain water and mineral rights related to the property.

OTHER INFORMATION AND WHERE TO FIND IT

At March 31, 2007, PICO Holdings, Inc. had a market capitalization of \$798.9 million, and 18,704,293 shares issued and outstanding (net of treasury stock).

Given the size and diversity of our asset base, this release only summarizes the most significant elements in our first quarter 2007 results. For fuller information on our principal activities and assets, recent developments, and the current outlook, we encourage all investors to read our Form 10-Q report for the first quarter of 2007, which has already been filed with the Securities and Exchange Commission. The report can be accessed on-line via our web-site (www.picoholdings.com), or you can call Carlene Wilbur (614-475-3178 ext. 255) to request a paper copy.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This press release contains "forward-looking statements" within the meaning of securities law, and the Company intends that such statements be protected by the safe harbor created by the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements regarding Vidler's ability to identify and capitalize upon projects to utilize the capital we have raised; the satisfactory and timely conclusion of the pending legal action with the Pyramid Lake Tribe; the completion of the Fish Springs pipeline project on budget and on schedule; the timeline for delivery of water through the Fish Springs pipeline; the trend for increasing water demands in the northern valleys of Reno; the anticipated sale of water rights to Coyote Springs; the expectation that there will be growth in the Carson City, NV area; the ability of Vidler to recover its capital costs upon the sale of new supplies of water; the development of agricultural water rights for municipal and industrial use; the future demand for lands owned by the Company; and the growth plans of the Company. Such forward-looking statements are subject to a number of risks, uncertainties, and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, (a) uncertainties related to the availability of projects upon which to employ our newly-raised capital; (b) the risk that the legal action involving the Pyramid Lake Tribe is not resolved in a manner favorable to the Company; (c) uncertainties regarding the construction of the Fish Springs pipeline; (d) the risk that demand for strategic water assets will not increase or continue; (e) governmental approval processes and the Company's ability to work with governmental agencies; (f) the Company's ability to identify promising businesses in which the Company can create value, as well as other risks and uncertainties detailed from time to time in PICO's filings with the Securities and Exchange Commission.

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