

ASSURANCEAMERICA CORP
Form 10-Q
November 12, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2010

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-06334

AssuranceAmerica Corporation

(Exact name of smaller reporting company as specified in its charter)

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Nevada
(State of Incorporation)

5500 Interstate North Parkway, Suite 600
(Address of principal executive offices)

87-0281240
(IRS Employer ID Number)

30328
(Zip Code)

(770) 952-0200

(Issuer's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

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

There were 65,494,357 shares of the Registrant's \$.01 par value Common Stock outstanding as of November 5, 2010.

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	(Unaudited)	
	September 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 8,088,733	\$ 6,253,643
Cash restricted	1,802,337	1,800,000
Short-term investments	360,948	365,717
Long-term investments, at fair value (amortized cost \$8,379,412 and \$7,745,142)	8,527,293	7,518,144
Long-term investments, held to maturity at amortized cost (fair value \$4,986,847 and \$4,981,850)	1,001,089	1,015,374
Marketable equity securities, at fair value (cost \$1,958,111 and \$1,888,334)	2,061,240	1,918,841
Other long-term investments	744,322	
Other securities	155,000	155,000
Investment income due and accrued	193,241	180,719
Receivable from insureds	36,711,165	35,173,717
Reinsurance recoverable (including \$9,666,005 and \$14,099,266 on paid losses)	32,176,962	43,809,125
Prepaid reinsurance premiums	25,928,912	25,098,051
Deferred acquisition costs	2,608,015	2,457,647
Property and equipment (net of accumulated depreciation of \$4,930,008 and \$4,344,673)	2,000,878	2,012,963
Other receivables	3,588,577	1,766,762
Prepaid expenses	998,446	510,558
Intangibles (net of accumulated amortization of \$3,328,893 and \$3,051,877)	7,588,193	7,509,934
Security deposits	122,594	105,315
Prepaid income tax		249,452
Deferred tax assets	2,346,028	2,909,229
Other assets	325,816	335,526
Total assets	\$ 137,329,789	\$ 141,145,717
LIABILITIES AND STOCKHOLDERS EQUITY		
Accounts payable and accrued expenses	\$ 11,904,588	\$ 8,551,370
Unearned premium	37,267,811	35,916,156
Unpaid losses and loss adjustment expenses	31,671,126	41,972,983
Reinsurance payable	30,158,044	28,523,284
Provisional commission reserve	2,894,381	3,599,289
Funds withheld from reinsurers	1,875,000	1,875,000
Federal income taxes payable	9,150	
Revolving line of credit	1,500,000	1,500,000
Notes payable and related party debt	199,318	774,001
Junior subordinated debentures payable	4,986,847	4,981,850
Total liabilities	122,466,265	127,693,933

Commitments and Contingencies

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Common stock, \$.01 par value (authorized 120,000,000 and 80,000,000, outstanding 65,494,357 and 65,144,357)	654,943	651,443
Surplus-paid in	17,782,429	17,363,620
Accumulated deficit	(3,730,729)	(4,440,473)
Accumulated other comprehensive gains (losses):		
Net unrealized gains (losses) on investment securities, net of taxes	156,881	(122,806)
Total stockholders equity	14,863,524	13,451,784
Total liabilities and stockholders equity	\$ 137,329,789	\$ 141,145,717

See accompanying notes to consolidated financial statements.

Table of Contents**ASSURANCEAMERICA CORPORATION****(Unaudited) CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue:				
Gross premiums written	\$ 24,908,126	\$ 27,080,533	\$ 78,946,512	\$ 84,733,359
Gross premiums ceded	(16,636,790)	(18,123,071)	(53,257,566)	(57,042,434)
Net premiums written	8,271,336	8,957,462	25,688,946	27,690,925
(Increase) decrease in unearned premiums, net of prepaid reinsurance premiums	25,191	(139,747)	(520,796)	(1,861,362)
Net premiums earned	8,296,527	8,817,715	25,168,150	25,829,563
Commission income	5,595,289	5,366,796	16,326,066	17,125,276
Managing general agent fees	2,693,884	2,603,629	8,332,545	7,812,300
Net investment income	165,428	179,768	501,917	522,891
Net investment gains (losses)	3,627	5,511	(2,075)	(320,190)
Other fee income	105,711	77,091	334,622	259,708
Total revenue	16,860,466	17,050,510	50,661,225	51,229,548
Expenses:				
Losses and loss adjustment expenses	6,056,487	6,214,195	17,892,230	18,286,400
Selling, general and administrative expenses	10,171,700	9,926,900	29,935,364	29,335,305
Stock option expense	103,939	84,510	317,308	251,686
Depreciation and amortization expense	297,904	301,106	862,785	895,100
Interest expense	92,979	102,005	280,644	354,695
Total operating expenses	16,723,009	16,628,716	49,288,331	49,123,186
Income before provision for income tax expense	137,457	421,794	1,372,894	2,106,362
Income tax provision	105,328	187,292	663,149	873,150
Net income	\$ 32,129	\$ 234,502	\$ 709,745	\$ 1,233,212
Earnings per common share				
Basic	\$ 0.000	\$ 0.004	\$ 0.011	\$ 0.019
Diluted	\$ 0.000	\$ 0.004	\$ 0.011	\$ 0.019
Weighted average shares outstanding-basic	65,494,357	65,144,357	65,458,460	65,112,495
Weighted average shares outstanding-diluted	66,139,978	65,495,170	65,957,494	65,261,331

See accompanying notes to consolidated financial statements.

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	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2010	2009	2010	2009
Net income	\$ 32,129	\$ 234,502	\$ 709,745	\$ 1,233,212
Other comprehensive gains (losses):				
Change in unrealized gains (losses) of investments:				
Unrealized gains arising during the year	305,600	507,501	445,424	643,623
Reclassification adjustment for realized gains (losses) recognized during the year	(3,627)	(5,511)	2,075	320,190
Net change in unrealized gains	301,973	501,990	447,499	963,813