

ASSURANCEAMERICA CORP  
Form 10-Q  
August 06, 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 June 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 August 4, 2010.

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**ASSURANCEAMERICA CORPORATION**

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****ASSURANCEAMERICA CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	(Unaudited)	
	June 30, 2010	December 31, 2009
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,525,086	\$ 6,253,643
Cash restricted	1,801,677	1,800,000
Short-term investments	360,701	365,717
Long-term investments, at fair value (amortized cost \$7,616,647 and \$7,745,142)	7,700,420	7,518,144
Long-term investments, held to maturity at amortized cost (fair value \$4,985,181 and \$4,981,850)	1,001,089	1,015,374
Marketable equity securities, at fair value (cost \$1,903,168 and \$1,888,334)	1,768,431	1,918,841
Other securities	155,000	155,000
Investment income due and accrued	148,269	180,719
Receivable from insureds	36,877,742	35,173,717
Reinsurance recoverable (including \$12,794,565 and \$14,099,266 on paid losses)	35,587,813	43,809,125
Prepaid reinsurance premiums	26,432,012	25,098,051
Deferred acquisition costs	2,561,038	2,457,647
Property and equipment (net of accumulated depreciation of \$4,728,360 and \$4,344,673)	1,938,494	2,012,963
Other receivables	1,479,247	1,766,762
Prepaid expenses	759,885	510,558
Intangibles (net of accumulated amortization of \$3,232,637 and \$3,051,877)	7,684,449	7,509,934
Security deposits	113,409	105,315
Prepaid income tax		249,452
Deferred tax assets	2,698,976	2,909,229
Other assets	329,053	335,526
<b>Total assets</b>	<b>\$ 136,922,791</b>	<b>\$ 141,145,717</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Accounts payable and accrued expenses	\$ 8,540,389	\$ 8,551,370
Unearned premium	37,796,103	35,916,156
Unpaid losses and loss adjustment expenses	32,077,207	41,972,983
Reinsurance payable	31,701,542	28,523,284
Provisional commission reserve	3,519,939	3,599,289
Funds withheld from reinsurers	1,875,000	1,875,000
Federal income taxes payable	149,209	
Revolving line of credit	1,500,000	1,500,000
Notes payable and related party debt	239,500	774,001
Junior subordinated debentures payable	4,985,181	4,981,850
<b>Total liabilities</b>	<b>122,384,070</b>	<b>127,693,933</b>
<b>Commitments and Contingencies</b>		
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	17,678,490	17,363,620
Accumulated deficit	(3,762,859)	(4,440,473)

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Accumulated other comprehensive loss:		
Net unrealized losses on investment securities, net of taxes	(31,853)	(122,806)
<b>Total stockholders equity</b>	<b>14,538,721</b>	<b>13,451,784</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 136,922,791</b>	<b>\$ 141,145,717</b>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Revenue:</b>				
Gross premiums written	\$ 21,658,673	\$ 24,052,857	\$ 54,038,386	\$ 57,652,826
Gross premiums ceded	(14,594,748)	(16,150,666)	(36,620,776)	(38,919,363)
<b>Net premiums written</b>	7,063,925	7,902,191	17,417,610	18,733,463
(Increase) decrease in unearned premiums, net of prepaid reinsurance premiums	1,375,719	822,146	(545,987)	(1,721,615)
<b>Net premiums earned</b>	8,439,644	8,724,337	16,871,623	17,011,848
Commission income	4,251,201	5,077,508	10,730,777	11,758,480
Managing general agent fees	2,655,449	2,415,638	5,638,661	5,208,671
Net investment income	204,516	198,537	336,489	343,123
Net investment losses on securities	(16,246)	(85,814)	(5,702)	(325,701)
Other fee income	90,456	75,235	228,911	182,617
<b>Total revenue</b>	15,625,020	16,405,441	33,800,759	34,179,038
<b>Expenses:</b>				
Losses and loss adjustment expenses	5,878,285	6,312,214	11,835,743	12,072,205
Selling, general and administrative expenses	9,409,447	9,254,720	19,763,664	19,408,405
Stock option expense	123,874	88,281	213,369	167,176
Depreciation and amortization expense	286,475	293,750	564,881	593,994
Interest expense	90,183	118,333	187,665	252,690
<b>Total operating expenses</b>	15,788,264	16,067,298	32,565,322	32,494,470
<b>Income (loss) before provision for income tax expense</b>	(163,244)	338,143	1,235,437	1,684,568
Income tax provision (benefit)	(2,256)	156,411	557,821	685,858
<b>Net income (loss)</b>	\$ (160,988)	\$ 181,732	\$ 677,616	\$ 998,710
<b>Earnings (loss) per common share</b>				
Basic	\$ (0.002)	\$ 0.003	\$ 0.010	\$ 0.015
Diluted	\$ (0.002)	\$ 0.003	\$ 0.010	\$ 0.015
Weighted average shares outstanding-basic	65,494,357	65,144,357	65,440,213	65,096,300
Weighted average shares outstanding-diluted	65,494,357	65,421,284	65,920,449	65,174,857

See accompanying notes to consolidated financial statements.

**Table of Contents****ASSURANCEAMERICA CORPORATION AND SUBSIDIARIES****(Unaudited) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Net income (loss)</b>	\$ (160,988)	\$ 181,732	\$ 677,616	\$ 998,710
<b>Other comprehensive gain (losses):</b>				
Change in unrealized gains (losses) of investments:				
Unrealized gains (losses) arising during the year	(54,274)	250,361	139,824	136,122
Reclassification adjustment for realized losses recognized during the year	16,246	85,814	5,702	325,701
Net change in unrealized gains (losses)	(38,028)	336,175	145,526	461,823
Deferred income taxes on above changes	14,262	(126,066)	(54,573)	(173,184)
Other comprehensive gain (loss)	(23,766)	210,109	90,953	288,639