ASSURANCEAMERICA CORP Form 10-Q August 06, 2010 Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Ma	ark one)
þ	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)

Edgar Filing: ASSURANCEAMERICA CORP - Form 10-Q

Nevada (State of Incorporation)

87-0281240 (IRS Employer ID Number)

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

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 b 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 by Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES "NO by

There were 65,494,357 shares of the Registrant s \$.01 par value Common Stock outstanding as of August 4, 2010.

ASSURANCEAMERICA CORPORATION

Index to Form 10-Q

		Page
_	PART I FINANCIAL INFORMATION	
Item 1	Financial Statements	
	Consolidated Balance Sheets as of June 30, 2010 and December 31, 2009	3
	Consolidated Statements of Operations For the Three Months and Six Months Ended June 30, 2010 and June 30, 2009	4
	Consolidated Statements of Comprehensive Income For the Three Months and Six Months Ended June 30, 2010 and June 30,	
	<u>2009</u>	5
	Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2010 and June 30, 2009	6
	Notes to Consolidated Financial Statements	7
Item 2	Management s Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3	Quantitative and Qualitative Disclosures about Market Risk	27
Item 4	Controls and Procedures	27
	PART II OTHER INFORMATION	
Item 1	A Risk Factors	27
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	33
Item 3	<u>Defaults Upon Senior Securities</u>	33
Item 4	Removed and Reserved	33
Item 5	Other Information	33
Item 6	Exhibits	33
Sionatu	ires	34

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

ASSURANCEAMERICA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETION		(Unaudited)		
Cash net ach equivalents \$7,525,086 \$6,253,643 Cash restricted 1,801,677 1,800,000 Short-term investments 300,701 305,717 Long-term investments, at fair value (amortized cost \$7,616,647 and \$7,745,142) 7,704,200 7,518,144 Long-term investments, at fair value (cost \$1,903,168 and \$1,888,3181 and \$4,981,850) 1,001,039 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 16,877,742 35,173,717 Receivable from insureds 36,877,742 35,173,717 Recivable from insureds 36,877,742 35,173,717 Recivable from insureds 2,643,2012 25,098,051 Deferred acquisition costs 2,561,038 34,809,125 Prepaid reinsurance premiums 2,643,2012 25,098,051 Deferred acquisition costs 1,579,474 37,974,474 Property and equipment (net of accumulated depreciation of \$4,728,360 and \$4,344,673) 1,938,494 2,012,963 Other receivables 1,799,474 1,766,762 7,99,885 510,138 Intrapellos (security deposi		· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·	
Cash restricted 1,800,000 1,800,000 Short-term investments 360,701 365,715 Long-term investments, at fair value (amortized cost \$7,616,647 and \$7,745,142) 7,000,420 7,518,144 Long-term investments, held to maturity at amortized cost (fair value \$4,985,181 and \$4,981,850) 1,768,431 1,918,344 Other securities 155,000 155,000 155,000 Investment income due and accrued 148,269 185,000 Receivable from insureds 36,877,742 35,173,717 Reinsurance recoverable (including \$12,794,565 and \$14,099,266 on paid losses) 35,887,813 34,809,125 Prepaid reinsurance premiums 26,432,012 25,098,051 Deferred acquisition costs 2,361,038 2,437,647 Property and equipment (net of accumulated depreciation of \$4,728,360 and \$4,344,673) 1,938,944 20,120,903 Other receivables 7,988,85 510,558 111,409 7,509,934 Scurity deposits 1,318,409 7,509,934 2,209,935 335,952 Deferred tax assets 2,098,76 2,909,220 2,009,220 3,009,235 3,009,235				
Short-term investments	Cash and cash equivalents	\$ 7,525,086	\$ 6,253,643	
Long-term investments, at fair value (amortized cost \$7,616,647 and \$7,745,142)	Cash restricted	1,801,677	1,800,000	
Long-term investments, held to maturity at amortized cost (fair value \$4,985,181 and \$4,981,850) 1,001,089 1,011,374 Marketable equity securities, at fair value (cost \$1,903,168 and \$1,888,334) 1,768,431 1,918,841 Other securities 185,000 155,000 Investment income due and accrued 148,269 180,719 Receivable from insureds 36,877,42 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 7,598,855 510,558 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 2,689,76 2,909,229 Other assets 31,6922,791 \$141,145,717 Accounts payable and accrued expenses	Short-term investments	360,701	365,717	
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 24,576,647 Property and equipment (net of accumulated depreciation of \$4,728,360 and \$4,344,673) 1,938,494 2,012,963 Other receivables 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 2,698,976 2,909,229 Other assets 2,698,976 2,909,229 Other assets \$136,922,791 \$14,145,717 ***Assets \$2,698,976 2,909,229 Other assets \$8,540,389 \$8,551,370 ***Total lassets <td></td> <td>7,700,420</td> <td></td>		7,700,420		
Other securities 155,000 155,000 Incestivable from insureds 18,269 180,719 Receivable from insureds 36,877,42 35,173,717 Reinstrance 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 1,766,762 779,885 510,558 Intangibles (net of accumulated amortization of \$3,232,637 and \$3,051,877) 7,684,449 7,509,935 Recurity deposits 113,49 7,503,855 Intangibles (net of accumulated amortization of \$3,232,637 and \$3,051,877) 7,684,449 7,509,935 Recurity deposits 213,492 2,909,229 200 Other assets 3,269,279 2,909,229 Other assets \$136,922,791 \$1,11,45,717 Total assets \$1,369,222,791 \$1,11,45,717 \$8,501,399<		1,001,089	1,015,374	
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) 35,878,181 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 2,012,063 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 7,509,345 Prepaid income tax 2,698,976 2,909,229 Other assets 2,698,976 2,909,229 Other assets 3136,922,791 \$141,145,717 LIABILITIES AND STOCKHOLDERS EQUITY Accounts payable and accrued expenses 8,8540,389 8,851,370 Uneamed premium 37,996,133 35,916,156 Unpaid losses and loss adjustment expenses 32,077,207 41,972,933 Provisional commission reserve		1,768,431	1,918,841	
Receivable from insureds 36,877,42 35,173,717 Reinsurance recoverable (including \$12,794,565 and \$14,099,266 on paid losses) 35,587,813 43,899,125 Prepaid reinsurance premiums 26,432,012 25,980,805 Deferred acquisition costs 2,561,038 2,457,647 Property and equipment (net of accumulated depreciation of \$4,728,360 and \$4,344,673) 1,499,247 1,766,762 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 2,698,976 2,909,229 Deferred tax assets 2,698,976 2,909,229 Other assets \$136,922,791 \$141,145,717 LIABILITIES AND STOCKHOLDERS EQUITY LIABILITIES AND STOCKHOLDERS EQUITY Accounts payable and accrued expenses \$8,540,389 \$8,551,370 Uneamed premium 37,796,103 35,916,156 Unpaid losses and loss adjustment expenses 32,077,207 41,972,983	Other securities	155,000	155,000	
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 759,885 510,558 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 accommentax 2,698,976 2,909,229 Other assets 3,290,53 335,526 Total assets 8,540,389 8,551,370 Total assets \$136,922,791 \$141,145,717 Accounts payable and accrued expenses \$8,540,389 8,551,370 Unpaid losses and loss adjustment expenses \$8,540,389 8,551,370 Unpaid losses and loss adjustment expenses \$8,540,389 8,551,370 Unpaid losses and loss adjustment expenses \$8,540,389 8,551,370	Investment income due and accrued	148,269	180,719	
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 2,498,976 2,909,229 Deferred tax assets 2,698,976 2,909,229 Other assets \$136,922,791 \$141,145,717 LIABILITIES AND STOCKHOLDERS EQUITY Accounts payable and accrued expenses \$8,540,389 \$8,551,370 Unearned premium 37,796,103 35,916,156 Unearned premium 37,796,103 35,916,156 Unearned premium 32,077,207 41,972,983 Reinsurance payable 31,701,542 28,523,284 Provisional commission reserve 3,519,938 1,875,000 Euderal income	Receivable from insureds	36,877,742	35,173,717	
Deferred acquisition costs 2,561,038 2,457,647 Property and equipment (net of accumulated depreciation of \$4,728,360 and \$4,344,673) 1,984,947 2,012,963 Other receivables 759,885 510,558 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 113,409 105,315 249,452 Deferred tax assets 2,698,976 2,909,229 201 Other assets 329,053 335,526 Total assets \$136,922,791 \$141,145,717 LIABILITIES AND STOCKHOLDERS EQUITY Accounts payable and accrued expenses \$8,540,389 \$8,551,370 Unpaid losses and loss adjustment expenses \$8,540,389 \$8,551,370 Unpaid losses and loss adjustment expenses \$8,540,389 \$8,551,370 Piunds withheld from reinsurers 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	Reinsurance recoverable (including \$12,794,565 and \$14,099,266 on paid losses)	35,587,813	43,809,125	
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 2,698,976 2,909,229 Other assets 329,053 335,526 LIABILITIES AND STOCKHOLDERS EQUITY LACCOUNTS payable and accrued expenses \$5,540,389 \$5,51,370 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 Revolving line of credit 1,800,000 1,500,000 Notes payable and related party debt 239,500 774,001 Junior subordinated debentures payable 4,981,850		26,432,012	25,098,051	
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 2,698,976 2,909,229 Other assets 329,053 335,526 LIABILITIES AND STOCKHOLDERS EQUITY 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 \$8,540,389 \$8,551,370 Unearned premium 37,796,103 35,916,156 Unpaid losses and loss adjustment expenses 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 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 Commitme	Deferred acquisition costs	2,561,038	2,457,647	
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 249,452 249,452 Deferred tax assets 2,698,976 2,909,229 Other assets 329,053 335,526 LIABILITIES AND STOCKHOLDERS EQUITY 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 3,519,939 3,599,289 Funds withheld from reinsurers 1,875,000 1,875,000 Federal income taxes payable 149,209 149,209 Revolving line of credit 1,500,000 774,001 Notes payable and related party debt 239,500 774,001 Junior subordinated debentures payable 4,981,850 Total liabilities 122,384,070 127,693,933 Commitments and Contingencies 122,384,070 <	Property and equipment (net of accumulated depreciation of \$4,728,360 and \$4,344,673)	1,938,494	2,012,963	
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 2,494,52 Deferred tax assets 2,698,976 2,909,229 Other assets 329,053 335,526 Total assets \$136,922,791 \$141,145,717 LIABILITIES AND STOCKHOLDERS EQUITY Accounts payable and accrued expenses \$8,540,389 \$8,551,370 Unpaid losses and loss adjustment expenses \$8,540,389 \$8,551,370 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 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 Common stock, \$.01 par value (authorized 120,000,000 and 80,000,000, outstanding 65,494,357 and 651,443,357)	Other receivables	1,479,247	1,766,762	
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 Total assets \$136,922,791 \$141,145,717 LIABILITIES AND STOCKHOLDERS EQUITY 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 1,800,000 Notes payable and related party debt 239,500 774,001 Junior subordinated debentures payable 122,384,07 127,693,933 Commitments and Contingencies Commitments and Contingencies 654,943 651,443 Commitments and Contingencies 654,943 651,443 Surplus-paid in	Prepaid expenses	759,885	510,558	
Prepaid income tax 249,452 Deferred tax assets 2,698,976 2,909,229 Other assets 329,053 335,526 Total assets \$136,922,791 \$141,145,717 LIABILITIES AND STOCKHOLDERS EQUITY 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 1,500,000 774,001 Notes payable and related party debt 239,500 774,001 Junior subordinated debentures payable 4,985,181 4,981,856 Commitments and Contingencies Commitments and Contingencies 654,943 651,443 Common stock, \$.01 par value (authorized 120,000,000 and 80,000,000, outstanding 65,494,357 and 651,443 651,443		7,684,449	7,509,934	
Deferred tax assets 2,698,976 2,909,229 Other assets 329,053 335,526 Total assets \$136,922,791 \$141,145,717 LIABILITIES AND STOCKHOLDERS EQUITY 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 2 Revolving line of credit 1,500,000 1,500,000 Notes payable and related party debt 239,500 774,001 Junior subordinated debentures payable 122,384,070 127,693,933 Common stock, \$.01 par value (authorized 120,000,000 and 80,000,000, outstanding 65,494,357 and 651,443 654,943 651,443 Surplus-paid in 17,678,490 17,363,620	Security deposits	113,409	105,315	
Other assets 329,053 335,526 Total assets \$136,922,791 \$141,145,717 LIABILITIES AND STOCKHOLDERS EQUITY 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 Commitments and Contingencies Commitments and Contingencies 222,384,070 127,693,933 Common stock, \$.01 par value (authorized 120,000,000 and 80,000,000, outstanding 65,494,357 and 651,443,357) 654,943 651,443 Surplus-paid in 17,678,490 17,363,620	Prepaid income tax		249,452	
Total assets \$ 136,922,791 \$ 141,145,717 LIABILITIES AND STOCKHOLDERS EQUITY 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 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 Total liabilities 122,384,070 127,693,933 Common stock, \$.01 par value (authorized 120,000,000 and 80,000,000, outstanding 65,494,357 and 651,443,357) 654,943 651,443 501,443,357) 654,943 651,443 502,000,000 654,943 <th cols<="" td=""><td>Deferred tax assets</td><td>2,698,976</td><td>2,909,229</td></th>	<td>Deferred tax assets</td> <td>2,698,976</td> <td>2,909,229</td>	Deferred tax assets	2,698,976	2,909,229
LIABILITIES AND STOCKHOLDERS EQUITY 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 Total liabilities 122,384,070 127,693,933 Commitments and Contingencies 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	Other assets	329,053	335,526	
Accounts payable and accrued expenses \$ 8,540,389 \$ 8,51,370 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 Total liabilities 122,384,070 127,693,933 Commitments and Contingencies Common stock, \$.01 par value (authorized 120,000,000 and 80,000,000, outstanding 65,494,357 and 654,943 654,943 651,443 Surplus-paid in 17,678,490 17,363,620	Total assets	\$ 136,922,791	\$ 141,145,717	
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 Total liabilities 122,384,070 127,693,933 Common stock, \$.01 par value (authorized 120,000,000 and 80,000,000, outstanding 65,494,357 and 651,443,357) 654,943 651,443 Surplus-paid in 17,678,490 17,363,620	LIABILITIES AND STOCKHOLDERS EQUITY			
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 Total liabilities 122,384,070 127,693,933 Commitments and Contingencies Common stock, \$.01 par value (authorized 120,000,000 and 80,000,000, outstanding 65,494,357 and 651,443 654,943 651,443 Surplus-paid in 17,678,490 17,363,620		\$ 8,540,389	\$ 8,551,370	
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 Total liabilities 122,384,070 127,693,933 Common stock, \$.01 par value (authorized 120,000,000 and 80,000,000, outstanding 65,494,357 and 651,443 65,144,357) 654,943 651,443 Surplus-paid in 17,678,490 17,363,620	Unearned premium	37,796,103	35,916,156	
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 Total liabilities 122,384,070 127,693,933 Commitments and Contingencies Common stock, \$.01 par value (authorized 120,000,000 and 80,000,000, outstanding 65,494,357 and 654,943 654,943 651,443 Surplus-paid in 17,678,490 17,363,620	Unpaid losses and loss adjustment expenses	32,077,207	41,972,983	
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 Total liabilities 122,384,070 127,693,933 Commitments and Contingencies 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	Reinsurance payable	31,701,542	28,523,284	
Federal income taxes payable 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 Total liabilities 122,384,070 127,693,933 Commitments and Contingencies 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	Provisional commission reserve	3,519,939	3,599,289	
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 Total liabilities 122,384,070 127,693,933 Commitments and Contingencies Common stock, \$.01 par value (authorized 120,000,000 and 80,000,000, outstanding 65,494,357 and 651,443,357) 654,943 651,443 Surplus-paid in 17,678,490 17,363,620	Funds withheld from reinsurers	1,875,000	1,875,000	
Notes payable and related party debt 239,500 774,001 Junior subordinated debentures payable 4,985,181 4,981,850 Total liabilities 122,384,070 127,693,933 Commitments and Contingencies 200,000,000,000,000,000,000,000,000,000	Federal income taxes payable	149,209		
Junior subordinated debentures payable 4,985,181 4,981,850 Total liabilities 122,384,070 127,693,933 Commitments and Contingencies 200,000,000 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		1,500,000	1,500,000	
Total liabilities 122,384,070 127,693,933 Commitments and Contingencies 20,000,000 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	Notes payable and related party debt	239,500	774,001	
Commitments and Contingencies 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	Junior subordinated debentures payable	4,985,181	4,981,850	
Common stock, \$.01 par value (authorized 120,000,000 and 80,000,000, outstanding 65,494,357 and 65,144,357) Surplus-paid in 654,943 651,443 17,363,620	Total liabilities	122,384,070	127,693,933	
65,144,357)654,943651,443Surplus-paid in17,678,49017,363,620				
Surplus-paid in 17,678,490 17,363,620	Common stock, \$.01 par value (authorized 120,000,000 and 80,000,000, outstanding 65,494,357 and			
Surplus-paid in 17,678,490 17,363,620	65,144,357)	654,943	651,443	
• •				
	• •			

Edgar Filing: ASSURANCEAMERICA CORP - Form 10-Q

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

See accompanying notes to consolidated financial statements.

ASSURANCEAMERICA CORPORATION

(Unaudited) CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Mon Ended Jur					
		2010		2009		2010		2009
Revenue:								
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)
Net premiums written		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)
Net premiums earned		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
Total revenue		15,625,020		16,405,441		33,800,759		34,179,038
Expenses:								
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
Total operating expenses		15,788,264		16,067,298		32,565,322		32,494,470
		(1(0,044)		220.142		1 225 425		1 604 560
Income (loss) before provision for income tax expense		(163,244)		338,143		1,235,437		1,684,568
Income tax provision (benefit)		(2,256)		156,411		557,821		685,858
Net income (loss)	\$	(160,988)	\$	181,732	\$	677,616	\$	998,710
Earnings (loss) per common share								
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.

ASSURANCEAMERICA CORPORATION AND SUBSIDIARIES

(Unaudited) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three M Ended J		Six Months Ended June 30,		
	2010	2009	2010	2009	
Net income (loss)	\$ (160,988)	\$ 181,732	\$ 677,616	\$ 998,710	
Other comprehensive gain (losses):					
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	