

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

**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.

**Table of Contents**

**ASSURANCEAMERICA CORPORATION**

**Index to Form 10-Q**

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

**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</b>		<b>Six Months</b>	
	<b>Ended June 30,</b>		<b>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
<b>Comprehensive income (loss)</b>	\$ (184,754)	\$ 391,841	\$ 768,569	\$ 1,287,349

See accompanying notes to consolidated financial statements.

**Table of Contents****ASSURANCEAMERICA CORPORATION AND SUBSIDIARIES****(Unaudited) CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Six Months Ended June 30,	
	2010	2009
<b>Cash flows from operating activities:</b>		
Net income	\$ 677,616	\$ 998,710
<b>Adjustments to net income to net cash provided (used) by operating activities</b>		
Net investment losses on securities	5,702	325,701
Depreciation and amortization	620,991	595,436
Stock-based compensation	213,369	167,176
Deferred tax provision	155,681	573,129
<b>Changes in assets and liabilities:</b>		
Investment income due and accrued	32,450	(102,402)
Receivables	(1,416,510)	(5,970,881)
Prepaid expenses and other assets	(250,948)	(94,007)
Unearned premiums	1,879,947	6,103,186
Unpaid loss and loss adjustment expenses	(9,895,776)	2,104,360
Ceded reinsurance payable	3,178,258	2,342,541
Reinsurance recoverable	8,221,312	(3,996,036)
Prepaid reinsurance premiums	(1,333,961)	(4,381,571)
Accounts payable and accrued expenses	(272,981)	(340,567)
Prepaid income taxes/federal income taxes payable	398,661	104,965
Deferred acquisition costs	(103,391)	(327,106)
Provisional commission reserve	(79,350)	612,067
<b>Net cash provided (used) by operating activities</b>	2,031,070	(1,285,299)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment, net	(277,927)	(162,482)
Change in short-investments	5,016	605
Proceeds from sales, call and maturities of investments	1,264,519	3,567,832
Purchases of investments	(1,195,057)	(3,777,579)
Transfer of cash to restricted cash	(1,677)	
Cash received on sale of book of business		30,000
Cash paid for acquisition of agencies, net of cash acquired	(125,000)	(28,800)
<b>Net cash used by investing activities</b>	(330,126)	(370,424)
<b>Cash flows from financing activities:</b>		
Repayment of notes payable	(534,501)	(538,596)
Stock issued, net of expenses	105,000	120,000
<b>Net cash used by financing activities</b>	(429,501)	(418,596)
<b>Net increase (decrease) in cash and cash equivalents</b>	1,271,443	(2,074,319)
<b>Cash and cash equivalents, beginning of period</b>	6,253,643	8,287,149
<b>Cash and cash equivalents, end of period</b>	\$ 7,525,086	\$ 6,212,830

See accompanying notes to consolidated financial statements.





**Table of Contents**

**ASSURANCEAMERICA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2010 and 2009**

**(1) Description of Business**

AssuranceAmerica Corporation, a Nevada corporation (the Company) is an insurance holding company whose business is comprised of AssuranceAmerica Insurance Company (AAIC), AssuranceAmerica Managing General Agency, LLC (MGA) and TrustWay Insurance Agencies, LLC (TrustWay), each wholly owned. The Company primarily solicits and underwrites non-standard private passenger automobile insurance. The Company is headquartered in Atlanta, Georgia.

**(2) Summary of Significant Accounting Policies**

**Basis of Consolidation and Presentation**

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. In our opinion, the financial statements reflect all adjustments (consisting solely of normal recurring accruals) necessary for a fair presentation of the financial position, results of operations and cash flows for the interim period. Certain items in prior period financial statements have been reclassified to conform to the current presentation. For further information, please refer to our audited consolidated financial statements appearing in the Form 10-K for the year ended December 31, 2009.

**Basis of Investments and Presentation**

**Valuation of available-for-sale investments.** Our available for sale investment portfolio are recorded at fair value, which is typically based on publicly-available quoted prices. From time to time, the carrying value of our investments may be temporarily impaired because of the inherent volatility of publicly-traded investments. We do not adjust the carrying value of any investment unless management determines that the impairment of an investment's value is other than temporary.

We conduct regular reviews to assess whether our investments are impaired and if any impairment is other than temporary. Factors considered by us in assessing whether an impairment is other than temporary include the credit quality of the investment, the duration of the impairment, our ability and intent to hold the investment until recovery or maturity and overall economic conditions. If we determine that the value of any investment is other-than-temporarily impaired, we record a charge against earnings in the amount of the impairment.

Gains and losses realized on the disposition of available for sale investment securities are determined on the specific identification basis and credited or charged to income. Premium and discount on available for sale investment securities are amortized and accreted using the interest method and charged or credited to investment income.

**Valuation of held to maturity investments.** Our held to maturity investments consists of Redeemable Preferred securities, which are carried at amortized cost with realized gains and losses reported in the current period's earnings. Premium and discount on these securities are amortized and accreted using the interest method and charged or credited to investment income.

**Estimates**

A discussion of our significant accounting policies and the use of estimates is included in the notes to the consolidated financial statements included in the Company's Financial Statements for the year ended December 31, 2009 as filed with the Securities and Exchange Commission in the 2009 Form 10-K.

**Table of Contents****Newly Issued Accounting Guidance****Disclosures about Fair Value Measurements**

In March 2010, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2010-11, Derivatives and Hedging, (Topic 815), which provides accounting guidance that clarifies the scope exception for embedded credit derivative features related to the transfer of credit risk in the form of subordination of one financial instrument to another. The guidance addresses how to determine which embedded credit derivative features, including those in collateralized debt obligations and synthetic collateralized debt obligations are considered to be embedded derivatives that should not be analyzed for potential bifurcation and separate accounting under the existing accounting guidance for embedded derivatives. The guidance is effective for fiscal quarters beginning after June 15, 2010. Since the Company has no such derivatives, this guidance will not have any effect on the results of operations or financial position.

In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820), the FASB issued new accounting guidance which expands disclosure requirements relating to fair value measurements. The guidance adds requirements for disclosing amounts of and reasons for significant transfers into and out of Levels 1 and 2 and requires gross rather than net disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. The guidance also provides clarification that fair value measurement disclosures are required for each class of assets and liabilities. Disclosures about the valuation techniques and inputs used to measure fair value for measurements that fall in either Level 2 or Level 3 are also required. The Company adopted the provisions of the new guidance as of March 31, 2010.

**Consolidation of Variable Interest Entities**

In June 2009, the FASB issued ASU 2009-17, Consolidations (Topic 810), the FASB issued new accounting guidance, which requires an entity to perform a qualitative analysis to determine whether it holds a controlling financial interest (i.e., is a primary beneficiary) in a variable interest entity ( VIE ). The analysis identifies the primary beneficiary of a VIE as the entity that has both the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and the obligation to absorb losses, or the right to receive benefits, that could potentially be significant to the VIE. The Company adopted the new guidance as of January 1, 2010. The adoption had no impact on the Company's results of operations or financial position.

**(3) Investments**

The Company's marketable equity and long-term investment securities have been classified as available-for-sale and the Redeemable Preferred security that we own is considered held to maturity and is carried at amortized cost. The Company's long-term securities are available to be sold in response to the Company's liquidity needs, changes in market interest rates, asset-liability management strategies, and other economic factors. Investments available-for-sale are stated at fair value on the balance sheet. Unrealized gains and losses are excluded from earnings and are reported as a component of other comprehensive income within shareholders' equity, net of related deferred income taxes.

A decline in the fair value of an available-for-sale security below cost that is deemed other than temporary results in a charge to income, resulting in the establishment of a new cost basis for the security. Net unrealized losses for the six months ended June 30, 2010 and 2009 were \$50,964 and \$640,836, respectively.

Premiums and discounts are amortized or accreted, respectively, over the life of the related fixed maturity security as an adjustment to yield using a method that approximates the effective interest method. Dividends and interest income are recognized when earned. Realized gains and losses are included in earnings and are derived using the specific-identification method for determining the cost of securities sold.

A summary of investments follows as of:

	<b>June 30,</b>	<b>December</b>
	<b>2010</b>	<b>31,</b>
		<b>2009</b>
Short-term investments and bank certificates of deposit	\$ 360,701	\$ 365,717
U.S. Treasury securities and obligations of U.S. government corporations and agencies	5,044,386	4,967,070
Corporate debt securities	3,657,123	3,566,448

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Marketable equity securities	1,768,431	1,918,841
<b>Total</b>	<b>\$ 10,830,641</b>	<b>\$ 10,818,076</b>

**Table of Contents**

The amortized cost, fair value and gross unrealized gains or losses of debt securities available-for-sale at June 30, 2010 and December 31, 2009, by contractual maturity, is shown below:

Years to Maturity	June 30, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
One to five years		\$ 4,374,770	\$ 97,310	\$ 919	\$ 4,471,161
Five to ten years		2,325,133	70,662	106,204	2,289,591
Over ten years		916,744	22,924		939,668
Total		\$ 7,616,647	\$ 190,896	\$ 107,123	\$ 7,700,420

Years to Maturity	December 31, 2009	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
One to five years		\$ 4,501,055	\$ 45,063	\$ 34,560	\$ 4,511,558
Five to ten years		2,325,276	3,674	220,404	2,108,546
Over ten years		918,811		20,771	898,040
Total		\$ 7,745,142	\$ 48,737	\$ 275,735	\$ 7,518,144

The amortized cost, fair value and gross unrealized gains or losses of securities available-for-sale at June 30, 2010 and December 31, 2009, by security type, is shown below:

Security Type	June 30, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government corporations and agencies		\$ 4,910,735	\$ 133,651	\$	\$ 5,044,386
Corporate debt securities		2,705,912	57,245	107,123	2,656,034
Marketable equity securities		1,903,168	88,288	223,025	1,768,431
Total		\$ 9,519,815	\$ 279,184	\$ 330,148	\$ 9,468,851

Security Type	December 31, 2009	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government corporations and agencies		\$ 5,016,183	\$ 3,674	\$ 52,787	\$ 4,967,070
Corporate debt securities		2,728,959	45,063	222,948	2,551,074
Marketable equity securities		1,888,334	176,186	145,679	1,918,841
Total		\$ 9,633,476	\$ 224,923	\$ 421,414	\$ 9,436,985

The amortized cost of securities held to maturity at June 30, 2010 and December 31, 2009, by security type, is shown below:

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<b>Security Type</b>	<b>June 30, 2010</b>	<b>Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized losses</b>	<b>Fair Value</b>
Corporate debt securities		\$ 1,001,089	\$ 3,984,092	\$	\$ 4,985,181

<b>Security Type</b>	<b>December 31, 2009</b>	<b>Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized losses</b>	<b>Fair Value</b>
Corporate debt securities		\$ 1,015,374	\$ 3,966,476	\$	\$ 4,981,850

As of June 30, 2010, the Company has determined that all of the unrealized losses in the table above were temporary.

There were no fundamental issues with any of these securities and the Company has the ability and intent to hold the securities until there is a recovery in fair value. The carrying amounts of individual assets are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. The Company considers internal and external information, such as credit ratings, in concluding that the impairments are not other than temporary.

**Table of Contents**

The following table shows the gross unrealized losses and fair value of securities, aggregated by category and length of time that securities have been in a continuous unrealized loss position at June 30, 2010 and December 31, 2009.

	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Estimated Market Fair Value	Gross Unrealized Losses	Estimated Market Fair Value
<b>June 30, 2010:</b>				
U.S. Treasury and government agencies	\$	\$	\$	\$
Corporate debt securities	919	252,597	106,204	436,326
Equity securities	79,703	597,545	143,322	407,256
	\$ 80,622	\$ 850,142	\$ 249,526	\$ 843,582
<b>December 31, 2009:</b>				
U.S. Treasury and government agencies	\$ 52,787	\$ 4,467,069	\$	\$
Corporate debt securities	9,604	1,162,896	213,344	327,822
Equity securities	6,308	84,836	139,371	657,196
	\$ 68,699	\$ 5,714,801	\$ 352,715	\$ 985,018

The total proceeds received on sold investments amounted to \$264,518 and \$3,567,832 for the six months ended June 30, 2010 and 2009, respectively. The Company realized gains and losses of \$37,051 and \$42,753, respectively, during 2010 and \$94,509 and \$420,210, respectively, for the same period last year.

**(4) Fair Value Disclosures**

The fair value of our investments in fixed income and equity securities is based on observable market quotations, other market observable data, or is derived from such quotations and market observable data. We utilize third party pricing servicers, brokers and internal valuation models to determine fair value. We gain assurance of the overall reasonableness and consistent application of the assumptions and methodologies and compliance with accounting standards for fair value determination through our ongoing monitoring of the fair values received or derived internally.

Level 1 inputs are unadjusted, quoted prices in active markets for identical instruments at the measurement date (e.g., U.S. Treasury securities and active exchange-traded equity securities). Level 2 securities are comprised of securities whose fair value was determined by a nationally recognized pricing service using observable market inputs. Level 3 securities are comprised of (i) securities for which the pricing service is unable to provide a fair value, (ii) securities whose fair value is determined by the pricing service based on unobservable inputs and (iii) securities, other than securities backed by the U.S. Government, that are not rated by a nationally recognized statistical rating organization.

Following table illustrates the fair value measurements as of June 30, 2010:

Description:	Quoted Prices in Active Markets (Level 1)	Significant Other	Significant Other
		Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Available for sale securities	\$ 5,044,386	\$ 2,656,034	\$

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Marketable equity securities	1,768,431			
Total	\$ 6,812,817	\$ 2,656,034	\$	



**Table of Contents****(5) Losses and Loss Adjustment Expenses**

The estimated liabilities for losses and loss adjustment expenses include the accumulation of estimates for losses for claims reported prior to the balance sheet dates ( case reserves ), estimates (based upon actuarial analysis of historical data) of losses for claims incurred but not reported ( IBNR ) and for the development of case reserves to ultimate values, and estimates of expenses for investigating, adjusting and settling all incurred claims. Amounts reported are estimates of the ultimate costs of settlement, net of estimated salvage and subrogation. These estimated liabilities are subject to the outcome of future events, such as changes in medical and repair costs as well as economic and social conditions that impact the settlement of claims. Management believes that, given the inherent variability in any such estimates, the aggregate reserves are reasonably adequate. The methods of making such estimates and for establishing the resulting reserves are reviewed and updated quarterly and any resulting adjustments are reflected in current operations.

A summary of unpaid losses and loss adjustment expenses, net of reinsurance ceded, is as follows:

	June 30, 2010	December 31, 2009
Case basis	\$ 5,584,545	\$ 6,412,373
IBNR	3,699,414	5,850,751
<b>Total</b>	<b>\$ 9,283,959</b>	<b>\$ 12,263,124</b>

**(6) Reinsurance**

In the normal course of business, the Company seeks to reduce its overall risk levels by obtaining reinsurance from other insurance companies or reinsurers. Reinsurance premiums and reserves on reinsured business are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. The Company periodically reviews the financial condition of its reinsurers to minimize its exposure to losses from reinsurer insolvencies.

Reinsurance assets include balances due from other insurance companies under the terms of reinsurance agreements. Amounts applicable to ceded unearned premiums, ceded loss payments and ceded claims liabilities are reported as assets in the accompanying balance sheets. The Company believes the fair value of its reinsurance recoverables approximates their carrying amounts.

The impact of reinsurance on the statements of operations for the period ended June 30, 2010 and 2009 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Premiums written:</b>				
Direct	\$ 21,658,673	\$ 23,955,585	\$ 54,038,543	\$ 57,415,297
Assumed		97,272	(157)	237,529
Ceded	(14,594,748)	(16,150,666)	(36,620,776)	(38,919,363)
<b>Net</b>	<b>\$ 7,063,925</b>	<b>\$ 7,902,191</b>	<b>\$ 17,417,610</b>	<b>\$ 18,733,463</b>
<b>Premiums earned:</b>				
Direct	\$ 26,160,831	\$ 26,443,066	\$ 52,158,597	\$ 51,216,840
Assumed		147,773	(157)	332,801
Ceded	(17,721,187)	(17,866,502)	(35,286,817)	(34,537,793)

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Net	\$ 8,439,644	\$ 8,724,337	\$ 16,871,623	\$ 17,011,848
<b>Losses and loss adjustment expenses incurred:</b>				
Direct	\$ 20,394,991	\$ 21,095,373	\$ 42,140,832	\$ 40,581,410
Assumed	18,544	177,627	35,965	376,965
Ceded	(14,535,250)	(14,960,786)	(30,341,054)	(28,886,170)
Net	\$ 5,878,285	\$ 6,312,214	\$ 11,835,743	\$ 12,072,205

**Table of Contents**

The impact of reinsurance on the balance sheets as of the dates indicated was as follows:

	June 30, 2010	December 31, 2009
<b>Unpaid losses and loss adjustment expense:</b>		
Direct	\$ 31,944,663	\$ 41,814,027
Assumed	132,544	158,956
Ceded	(22,793,248)	(29,709,859)
<b>Net</b>	<b>\$ 9,283,959</b>	<b>\$ 12,263,124</b>
<b>Unearned premiums:</b>		
Direct	\$ 37,795,539	\$ 35,915,592
Assumed	564	564
Ceded	(26,432,012)	(25,098,051)
<b>Net</b>	<b>\$ 11,364,091</b>	<b>\$ 10,818,105</b>

The Company received \$8,251,452 in commissions on premiums ceded during the six-month period ended June 30, 2010. Had all of the Company's reinsurance agreements been cancelled at June 30, 2010, the Company would have returned \$6,465,148 in reinsurance commissions to its reinsurers and its reinsurers would have returned \$26,432,012 in unearned premiums to the Company.

**(7) Income Taxes**

The provision for federal and state income taxes for the period ended June 30, 2010 and 2009 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Current	\$ (142,592)	\$ (280,431)	\$ 402,140	\$ 112,729
Deferred	140,336	436,842	155,681	573,129
<b>Total provision for income taxes</b>	<b>\$ (2,256)</b>	<b>\$ 156,411</b>	<b>\$ 557,821</b>	<b>\$ 685,858</b>

**(8) Capital Stock****Common Stock**

During the first six months of 2010 and 2009, the Company issued 350,000 and 190,476 shares of common stock, \$.01 par value to its board of directors, respectively.

**Stock-Based Compensation**

In April of 2010, the Company's shareholders approved the 2010 Incentive Plan ( 2010 Plan ). The aggregate number of shares of common stock reserved and available for issuance pursuant to awards granted to participants under the 2010 Plan consists of 2,000,000 shares. As of June 30, 2010, there were 7,806,825 shares of the Company's common stock subject to outstanding awards under the prior 2000 Incentive Plan (the Prior Plan ). The company will not grant any additional awards under the Prior Plan, and it expired in June 2010.

The weighted-average grant date fair value of options granted during the six months ended June 30, 2010 and 2009, using the Black-Scholes-Merton option-pricing model, was \$0.1842 and \$0.2324, respectively. There were no options exercised during the six months ended June 30, 2010 and 2009.



**Table of Contents**

Total compensation cost for share-based payment arrangements recognized for the three and six months ended June 30, 2010 was \$123,874 and \$213,369, respectively. Total compensation cost for share-based payment arrangements recognized for the three and six-month ended June 30, 2009 was \$88,281 and \$167,176 respectively. The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option-pricing model using the assumptions noted in the following table.

	June 30, 2010	June 30, 2009
Weighted-average-grant-date fair value	\$0.1842	\$0.2324
Expected volatility	164% -168%	108% -109%
Weighted average volatility	167%	108%
Risk-free interest rate	2.14% -2.59%	2.47% -3.52%
Expected term (in years)	5.0	8.1
Forfeiture rate (per year)	6.7	6.7

A summary of all stock option activity during the six months ending June 30, 2010 and 2009, were as follows:

	June 30, 2010		June 30, 2009	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
<b>Options Outstanding</b>				
January 1	7,789,721	\$ 0.53	6,230,008	\$ 0.66
Add (deduct):				
Granted			392,190	\$ 0.25
Forfeited			(52,777)	\$ 0.84
Expired				
March 31	7,789,721	\$ 0.53	6,569,421	\$ 0.64
Add (deduct):				
Granted	407,000	\$ 0.17	731,700	\$ 0.29
Forfeited	(282,590)	\$ 0.82	(125,800)	\$ 0.71
Expired	(75,306)	\$ 0.61		
June 30	7,838,825	\$ 0.51	7,175,321	\$ 0.60
Exercisable, June 30	3,289,750	\$ 0.65	2,539,129	\$ 0.74

**(9) Commitments and Contingencies****Contingencies**

In the normal course of business, the Company is named as a defendant in lawsuits related to claims and other insurance policy issues. Some of the actions seek extra-contractual and/or punitive damages. These actions are vigorously defended unless a reasonable settlement appears appropriate. In the opinion of management, the ultimate outcome of known litigation is not expected to be material to the Company's financial condition, results of operations, or cash flows.

**Contractual Commitments**

The Company leases office space for its corporate headquarters in Atlanta, Georgia. Effective October 1, 2009 the Company signed an amendment to extend its lease until 2019 under more favorable lease terms. The Company leases retail office space at various locations in Georgia, Florida and Alabama under short to medium term commercial leases. The Company also leases office equipment for use in its various locations. Rent expense for long-term leases with predetermined minimum rental escalations is recognized on a straight-line basis, and the difference between the recognized rental expense and amounts payable under the leases, or deferred rent, is included in other liabilities. The Company has a software license agreement with terms greater than one year for the purchase of the policy management system code.

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The Company had a contractual commitment in association with long-term debt owed to its current Chairman and Chief Executive Officer in the amount of \$230,723 as of March 31, 2010, which was paid off on June 30, 2010. Further, the Company has a long-term commitment in connection with Junior Subordinated Debentures issued in December 2005. On March 10, 2009, AAIC purchased all of the Capital Securities issued by the Trust at a discounted price of \$1,000,000 from the non-affiliated holder of those securities. The discount is being accreted to interest income over the remaining life of the Capital Securities using the

**Table of Contents**

interest method. The purchase resulted in an increase in our investment portfolio for redeemable preferred stock in the amount of \$1,001,089. Please refer to Note 7 of the *Notes to Consolidated Financial Statements*, as of December 31, 2009 included in our Annual Report on Form 10-K for additional information about the long-term debt arrangements.

Minimum amounts due under the Company's non-cancelable commitments at June 30, 2010 are as follows:

	<b>Long-Term Debt Obligations</b>	<b>Operating Lease Obligations</b>	<b>Total</b>
<b>Payments due by period</b>			
<b>Less than 1 year</b>	\$ 124,032	\$ 732,530	\$ 856,562
<b>1-3 years</b>	115,468	2,827,692	2,943,160
<b>4-5 years</b>		1,400,036	1,400,036
<b>More than 5 years</b>	4,985,181	2,993,402	7,978,583
<b>Total</b>	<b>\$ 5,224,681</b>	<b>\$ 7,953,660</b>	<b>\$ 13,178,341</b>

**Defined Contribution Plan**

The Company's associates participate in the AssuranceAmerica Corporation 401(k) defined contribution retirement plan. Under the plan, the Company can elect to make discretionary contributions. Effective January 1, 2008, the Company elected to match 33% of employee contributions up to 6% of gross earnings. Matching contributions during the first six months of 2010 and 2009 were \$64,904 and \$50,880, respectively. The eligibility requirements are 21 years of age, 6 months of service and full time employment.

**(10) Net Income Per Share**

Basic and diluted income per common share is computed using the weighted average number of common shares outstanding during the period. Potential common shares not included in the calculations of net income per share for the six month ended June 30, 2010 and 2009, because their inclusion would be anti-dilutive, are as follows:

	<b>Three Months Ended June 30th,</b>		<b>Six Months Ended June 30th,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Stock options	7,838,825	5,058,887	4,549,075	5,058,887

**Table of Contents**

The reconciliation of the amounts used in the computation of both basic earnings per share and diluted earnings per share for the periods ended June 30, 2010 and 2009 are as follows:

	Net Income (Loss)	Average Shares Outstanding	Per Share Amount
<b>For the three months ended June 30, 2010:</b>			
Net loss basic	\$ (160,988)	65,494,357	\$ (0.002)
Effect of dilutive stock warrants and options			
Net loss diluted	\$ (160,988)	65,494,357	\$ (0.002)
<b>For the three months ended June 30, 2009:</b>			
Net income basic	\$ 181,732	65,144,357	\$ 0.003
Effect of dilutive stock warrants and options			
		276,927	
Net income diluted	\$ 181,732	65,421,284	\$ 0.003
<b>For the six months ended June 30, 2010:</b>			
Net income basic	\$ 677,616	65,440,213	\$ 0.010
Effect of dilutive stock warrants and options			
		480,236	
Net income diluted	\$ 677,616	65,920,449	\$ 0.010
<b>For the six months ended June 30, 2009:</b>			
Net income basic	\$ 998,710	65,096,300	\$ 0.015
Effect of dilutive stock warrants and options			
		78,557	
Net income diluted	\$ 998,710	65,174,857	\$ 0.015

**(11) Supplemental Cash Flow Information**

	2010	2009
Cash paid during the six months ended June 30:		
Interest	\$ 187,665	\$ 252,690
Income taxes	\$ 3,455	\$ 5,590

On June 16, 2010 the Company purchased the assets of Atlantic Southeastern Insurance Group, LLC and James T. Moore Company for an estimated price of \$144,000. The Company paid \$100,000 in cash and the balance of \$44,000 will be paid on the last day of the thirteenth month following the closing date. The acquired companies will offer commercial insurance through our owned retail agencies.

On March 26, 2010 the Company purchased the assets of NexTT Solutions, LLC for an estimated purchase price of \$243,000. The Company paid \$25,000 as a down payment and the remaining balance will be paid once the renewals are finalized. The purchase price reflects \$211,725 for its 2009 renewals in 2010 and 2010 renewals in 2011, which is subject to change and will be finalized in 2011 and \$31,275 was paid to NexTT for the rights to its agency software program. NexTT Solutions offers sports injury solutions to colleges and universities through one of our TrustWay insurance agencies.



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On March 1, 2009 the Company purchased the assets of First Choice Insurance, LLC for cash of \$28,800 and as part of the purchase agreement the Company issued a note payable in the amount of \$115,200.

The following table illustrates the composition of acquisitions for the six months ended June 30, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Fair value of assets acquired, including identifiable intangibles	\$ 332,000	\$ 80,000
Goodwill	55,000	64,000
Cash paid to sellers	(125,000)	(28,800)
Payable due to seller	\$ 262,000	\$ 115,200

**Table of Contents****(12) Segment Reporting**

The Company's subsidiaries are each unique operating entities performing a separate business function. AAIC, a property and casualty insurance company focuses on writing nonstandard automobile business in the states of Georgia, Alabama, Arizona, Florida, Indiana, Louisiana, Mississippi, South Carolina, Texas and Virginia. MGA markets AAIC's policies through more than 2,500 independent agencies in these states. MGA provides all of the underwriting, accounting, product management, legal, policyholder administration and claims functions for AAIC and for two unaffiliated insurers that retain the non-standard automobile insurance policies produced by MGA in Florida and Texas. MGA receives various fees related to insurance transactions that vary according to state insurance laws and regulations. TrustWay is comprised of 45 retail insurance agencies that focus on selling nonstandard automobile policies and related coverages in Georgia, Florida and Alabama. TrustWay receives commissions and various fees associated with the sale of the products and services from its appointing insurance carriers.

The Company evaluates profitability based on pretax income. Pretax income for each segment is defined as the revenues less the segment's operating expenses including depreciation, amortization and interest.

Following are the operating results for the Company's various segments and an overview of segment assets:

(\$ in thousands)	MGA	TrustWay	AAIC	Company	Eliminations	Consolidated
<b>SECOND QUARTER 2010</b>						
<b>Revenues</b>						
External customer	\$ 5,652	\$ 1,288	\$ 8,685	\$	\$	\$ 15,625
Intersegment	1,445	293	684	848	(3,270)	
<b>Income</b>						
Segment pretax income (loss)	156	(902)	625	(42)		(163)
<b>Assets</b>						
Segment assets	16,562	11,383	121,616	24,665	(37,303)	136,923
<b>SECOND QUARTER 2009</b>						
<b>Revenues</b>						
External customer	\$ 6,158	\$ 1,378	\$ 8,869	\$	\$	\$ 16,405
Intersegment	1,650	618	787	711	(3,766)	
<b>Income</b>						
Segment pretax income (loss)	534	(771)	640	(65)		338
<b>Assets</b>						
Segment assets	15,642	12,485	127,872	21,126	(33,632)	143,493

**Table of Contents**

(\$ in thousands)	MGA	TrustWay	AAIC	Company	Eliminations	Consolidated
<b>FIRST SIX MONTHS 2010</b>						
<b>Revenues</b>						
External customer	\$ 13,226	\$ 3,239	\$ 17,336	\$	\$	\$ 33,801
Intersegment	3,589	868	1,723	1,696	(7,876)	
<b>Income</b>						
Segment pretax income (loss)	1,142	(937)	1,093	(63)		1,235
<b>Assets</b>						
Segment assets	16,562	11,383	121,616	24,665	(37,303)	136,923

(\$ in thousands)	MGA	TrustWay	AAIC	Company	Eliminations	Consolidated
<b>FIRST SIX MONTHS 2009</b>						
<b>Revenues</b>						
External customer	\$ 13,900	\$ 3,172	\$ 17,107	\$	\$	\$ 34,179
Intersegment	4,013	1,598	1,893	1,422	(8,926)	
<b>Income</b>						
Segment pretax income (loss)	1,497	(748)	1,041	(105)		1,685
<b>Assets</b>						
Segment assets	15,642	12,485	127,872	21,126	(33,632)	143,493

**(13) Proposed Accounting Standards Updates**

On June 29, 2010, the FASB issued an Exposure Draft of a proposed ASU of Fair Value Measurements and Disclosure (Topic 820). This proposed update is a result of the continuing efforts of the FASB and the International Accounting Standards Board (IASB) to develop common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP and International Financial Reporting Standards (IFRS).

The Boards are working together to ensure that fair value will have the same meaning in GAAP and in IFRS and that their respective fair value measurement and disclosure requirements will be the same (except for minor differences in wording and style). The Boards believe the amendments in this proposed update will improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and IFRS. The amendments in this proposed update would apply to all reporting entities that are required or permitted to measure or disclose the fair value of an asset, a liability, or an instrument classified in shareholders' equity in the financial statements. The amendments in this proposed update would result in common fair value measurement and disclosure requirements in GAAP and IFRS. As a result, the proposed amendments would change the wording used to describe many of the principles and requirements in GAAP for measuring fair value and for disclosing information about fair value measurements.

For many of the requirements, the Board does not intend for the amendments in this proposed update to result in a change in the application of the requirements in (Topic 820). Some of the proposed amendments would clarify the Board's intent about the application of existing fair value measurement guidance or would change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements. The more notable of those proposed amendments includes: (a) Highest and best use and valuation premise; (b) Measuring the fair value of an instrument classified in shareholders' equity; (c) Measuring the fair value of financial instruments that are managed within a portfolio; (d) Application of blockage factors and other premiums and discounts in a fair value measurement; (e) Additional disclosures about fair value measurements. The effective date will be determined after the Board considers the feedback on the amendments in this proposed update. The proposed amendments would be effective as of the beginning of the period of adoption. A reporting entity would recognize a cumulative-effect adjustment in beginning retained.

On June 24, 2010, the FASB issued an Exposure Draft of a proposed ASU of Revenue Recognition (Topic 605), Revenue from contracts with customers. This Proposed update for Revenue Recognition is crucial to users of financial statements in assessing a company's performance and prospects. However, revenue recognition requirements in GAAP differ from those in IFRS, and both sets of requirements are considered to be in need of improvement. GAAP comprises broad revenue recognition concepts and numerous requirements for particular industries or transactions that can result in different accounting for economically similar transactions.

## Table of Contents

Although IFRS provide less guidance on revenue recognition, the two main revenue recognition standards, IAS 18, *Revenue*, and IAS 11, *Construction Contracts*, can be difficult to understand and apply to transactions beyond simple transactions. In addition, those standards have limited guidance on important topics such as revenue recognition for multiple-element arrangements. Accordingly, the FASB and the IASB initiated a joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP and IFRS that would, (a) remove inconsistencies and weaknesses in existing revenue recognition standards and practices; (b) provide a more robust framework for addressing revenue recognition issues; (c) improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets; and (d) simplify the preparation of financial statements by reducing the number of requirements to which entities must refer. To meet those objectives, the FASB and the IASB have jointly developed a draft standard on revenue and, hence, are proposing amendments to the *FASB Accounting Standards Codification* and to IFRS.

The proposed guidance would affect any entity that enters into contracts to provide goods or services that are an output of the entity's ordinary activities, unless those contracts are within the scope of other requirements of GAAP or IFRS. In GAAP, the proposed guidance would supersede most of the guidance on revenue recognition in (Topic 605). In IFRS, the proposed guidance would supersede IAS 18 and IAS 11 and related interpretations. The proposed guidance specifies the principles that an entity would apply to report useful information about the amount, timing, and uncertainty of revenue and cash flows arising from its contracts to provide goods or services to customers. In summary, the core principle would require an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it receives, or expects to receive, in exchange for those goods or services. The proposed guidance also specifies the accounting for some costs. An entity would recognize the costs of obtaining a contract as expenses when incurred. In most cases, an entity would apply the proposed guidance to a single contract and recognize revenue when a performance obligation is satisfied. The effective date will be determined after the Board considers the feedback on the amendments in this proposed update. The proposed amendments would be effective as of the beginning of the period of adoption. A reporting entity would recognize a cumulative-effect adjustment in beginning retained.

On May 26, 2010, the FASB issued an Exposure Draft of a proposed ASU of Comprehensive Income, (Topic 220), Statement of Comprehensive Income. The Current GAAP and IFRS allow reporting entities several alternatives for displaying other comprehensive income and its components in financial statements. The amendments in this proposed update would require that all components of comprehensive income be reported in a continuous financial statement that displays the components of net income and the components of other comprehensive income within comprehensive income.

The FASB and IASB proposed that an entity should present a continuous statement of comprehensive income in their preliminary views document on their joint project on financial statement presentation in order to improve comparability, consistency, and transparency in financial reporting. The Boards affirm their decisions to remove the options that permit the components of net income and the components of other comprehensive income to be displayed in separate financial statements to enhance the prominence of the items reported in other comprehensive income for each reporting period.

All entities that report items of other comprehensive income, in any period presented, could be affected by the changes proposed in this update. Under the amendments in this proposed update to Topic 220, Comprehensive Income, of the *FASB Accounting Standards Codification*, an entity would be required to report total comprehensive income and its components in two parts—net income and other comprehensive income—in a continuous statement of financial performance. An entity would be required to display a total for each part; it also would be required to display each component of net income and each component of other comprehensive income in that statement of financial performance. The amendments in this proposed update would not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments in this proposed update would not change the option for an entity to show components of other comprehensive income gross or net of the effect of income taxes in the statement of comprehensive income as long as the tax effect for each component is disclosed in the notes to the financial statements or is displayed parenthetically on the statement of comprehensive income. The amendments in this proposed update would not affect how earnings per share are calculated or reported. The amendments in this proposed update would be applied on a fully retrospective basis to improve comparability between reporting periods. Early adoption would be permitted, because compliance with the proposed amendments is already permitted. The amendments do not require any transition disclosures.

**Table of Contents**

The proposed amendments would simplify how comprehensive income is reported by eliminating two options for how items of comprehensive income are displayed. The proposed amendments would improve financial reporting by requiring a continuous statement of comprehensive income that would enhance the prominence of the items reported as other comprehensive income. The amendments of such a presentation would improve the understandability of comprehensive income and the relationships between changes in the statement of financial position, components of other comprehensive income, and components of net income for each period. The effective date will be determined after the Board considers the feedback on the amendments in this proposed update. The amendments in this proposed update would be applied on a fully retrospective basis to improve comparability between reporting periods. Early adoption would be permitted, because compliance with the proposed amendments is already permitted. The amendments do not require any transition disclosures.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****Results of Operations**

The Company reported a net loss of \$0.2 million and net income of \$0.7 million for the three and six months ended June 30, 2010, compared to net income of \$0.2 million and \$1.0 million for the three and six months ended June 30, 2009. The Company's fully diluted loss per common share for the three months ended June 30, 2010 was \$0.002 compared to net income per share of \$0.003. For six months ended June 30, 2010 and 2009 fully diluted earnings were \$0.010 and \$0.015, respectively. The \$0.3 million decrease in net income for both the three and six months ended June 30, 2010 mainly resulted from a decrease in premiums within the wholesale division, offset by a decrease in investment losses on securities.

**Revenues*****Premiums***

Gross premiums written for the three and six month ended June 30, 2010 were \$21.7 million and \$54.0 million compared to \$24.1 million and \$57.7 million, respectively in 2009. The majority of the \$2.4 million decline in premium in the second quarter of 2010 mainly relates to a change in rates and increased competition in the states of Florida of \$2.3 million, Georgia of \$1.4, Louisiana of \$0.7 million and South Carolina of \$0.5 million, offset by an increase in the state of Virginia for \$1.7 million, where AAIC began writing in the first quarter of 2010 and \$0.8 million increase in one-month policy offered in Texas. The six month decrease of \$3.6 million was similarly impacted by the change in rates resulting in a decline of \$5.4 million in Florida, \$1.4 million in Georgia, \$1.0 million in Louisiana, offset by \$1.5 million increase in our new one-month policies product in Texas and new state entry in Virginia of \$2.6 million. As of June 30, 2010 the soft market and economic factors continues to put additional pressure on our writings in Florida and Georgia. These two states accounted for approximately 20% of the decline in premium for the first six months of 2010. However, policies in-force increased 3.5% from December 31, 2009 to June 30, 2010. Further, the Company ceded approximately 68% of its direct premiums written to its reinsurers during 2010, constant with the rate in 2009. The amount ceded for the six months ended June 30, 2010 and 2009, was \$36.6 million and \$38.9 million, respectively.

Premiums written refers to the total amount of premiums billed to the policyholder less the amount of premiums returned, generally as a result of cancellations, during a given period. Premiums written become premiums earned as the policy ages. Barring premium rate changes, if an insurance company writes the same mix of business each year, premiums written and premiums earned will be equal and the unearned premium reserve will remain constant. During periods of growth, the unearned premium reserve will increase, causing premiums earned to be less than premiums written. Conversely, during periods of decline, the unearned premium reserve will decrease, causing premiums earned to be greater than premiums written. The Company's net premiums earned, after deducting reinsurance, was \$16.9 million for the first six months of 2010 compared to \$17.0 million for the same period in 2009.

***Commission and Fee Income***

In our MGA operations, we receive managing general agent fees for agency, underwriting, policy administration, and claims adjusting services performed on behalf of insurers. We also receive commission and service fee income in TrustWay on other insurance products produced for unaffiliated insurance companies on which we do not bear underwriting risk, including travel protection, vehicle protection and hospital indemnity insurance policies. Commission rates vary between carriers and are applied to premiums written to determine commission income.

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**Table of Contents**

Commission income for the three and six months ended June 30, 2010 was \$4.3 million and \$10.7 as compared to \$5.1 million and \$11.8 million for the same periods last year. The decrease in premiums for the period is primarily due to the lower premium volume generated by the MGA. AAIC pays MGA commission on 30% of premium, which AAIC retains and this amount is subsequently eliminated upon consolidation.

Managing general agent fees for the three and six month periods ended June 30, 2010 were \$2.7 million and \$5.6 million, an increase of \$0.3 million and \$0.4 million when compared to the same periods of 2009. The increase is due to higher policy related fees on renewal premium.

Other fee income for the three and six months ended June 30, 2010 were \$90 thousand and \$229 thousand in relation to \$75 thousand and \$183 thousand for the same periods in 2009. The higher fees relates to revenue generated from towing and rental products offered to insureds in the retail (TrustWay) segment.

***Net Investment Income and investment gains and (losses)***

Our investment portfolio is generally highly liquid and consists substantially of readily marketable, investment-grade debt and equity securities. Net investment income is primarily comprised of interest and dividends earned on these securities and related investment expenses, net of realized investments gains and losses. Net investment income, including realized investment gains (losses) was \$0.2 million for the second quarter of 2010 and \$0.3 million for the six months ended June 30, 2010 compared to net investment income the same periods in 2009 of \$0.1 million and \$17 thousand in 2009. The increase for the year mainly resulted from higher realized investment gains due to improved market conditions.

**Expenses**

***Loss and Loss Adjustment Expenses***

Losses and loss adjustment expenses include payments made to settle claims, estimates for future claim payments and changes in those estimates for current and prior periods, as well as loss adjustment expenses incurred in connection with settling claims. Losses and loss adjustment expenses are influenced by many factors, such as claims frequency and severity trends, the impact of changes in estimates for prior accident years, and increases in the cost of medical treatment and automobile repairs. The anticipated impact of inflation is considered when we establish our premium rates and set loss reserves. We work with our actuary to prepare a rolling quarterly actuarial analysis each month and establish or adjust (for prior accident quarters) reserves, based upon our estimate of the ultimate incurred losses and loss adjustment expenses to reflect loss development information and trends that have been updated for the most recent quarter's activity. Each quarter our estimate of ultimate loss and loss adjustment expenses is evaluated by accident quarter, by state and by major coverage group (e.g., bodily injury, physical damage) and changes in estimates are reflected in the period the additional information becomes known.

We have historically used reinsurance to manage our exposure to loss by ceding a portion of our gross losses and loss adjustment expenses to reinsurers. We remain obligated for amounts covered by reinsurance in the event that the reinsurers do not meet their obligations under the agreements due to, for example, disputes with the reinsurer or the reinsurer's insolvency. The Company cedes approximately 68% of its direct loss and loss adjustment expenses incurred to its reinsurers and the amount ceded for the first six months of 2010, was \$30.3 million compared to \$28.9 million as of June 30, 2009.

After making deductions for the effect of reinsurance, losses and loss adjustment expenses were \$5.9 million and \$11.8 million for the three-month and six-month periods ended June 30, 2010. As a percentage of earned premiums, this amount decreased for the three-month period ended June 30, 2010, from 72.4% to 69.7%, when compared with the same period in 2009. As a percentage of earned premiums, this amount decreased for the six-month period ended June 30, 2010, from 71.0% to 70.2%, when compared with the same period in 2009. The amount represents actual payments made and changes in estimated future payments to be made to or on behalf of its policyholders, including the expenses associated with settling claims. The decrease in the year-over-year loss ratio is in part due to lower premium volume and improved loss experience.

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**Table of Contents*****Other Expenses***

Other operating expenses, including selling and general and administrative increased \$0.2 million and \$0.4 million for the three-month and six-month periods ended June 30, 2010 when compared to the same periods of 2009. As a percentage of revenue, selling and general and administrative expenses for the three-month period ended June 30, 2010 increased from 56.4% to 60.2% when compared to the 2009 period. As a percentage of revenue, selling and general and administrative expenses for the six month period ended June 30, 2010 increased from 56.8% to 58.5% when compared to the 2009 period. The increase in selling expenses is primarily attributable to higher staffing costs and lower revenue within the wholesale division when compared to the 2009 period.

***Income Tax Expense***

The provision for income taxes for the three-month and six-month periods ended June 30, 2010, consists of federal and state income taxes at the Company's effective tax rate. The Company had a tax benefit of \$2 thousand and \$0.6 million expense for the three-month and six-month periods ended June 30, 2010, representing an effective tax rate of 1.4% and 45.2%, respectively. This tax expense compares with a tax expense of \$0.2 million and \$0.7 million for the comparable 2009 periods, which was an effective tax rate of 46.3% and 40.7%, respectively. The tax rate decline in the three and six months ended is primarily related to the increase in stock option expense and lower earnings.

**Financial Condition**

As of June 30, 2010, the Company had investments and cash of \$20.3 million, compared to \$19.0 million as of December 31, 2009. The Company's investment strategy is to invest in highly liquid, short-term investments, and equity securities as well as investing in bonds with short durations in order to meet its insurance obligations. As of June 30, 2010, the Company had \$9.7 million in cash and short-term investments, which included \$1.8 million of cash restricted to provide security for certain reinsurance reserve obligations. The equity security portfolio amounted to \$1.8 million and is diversified amongst various industries. The Company's long term investments of \$8.7 million are spread among direct obligations of the U.S. Treasury as well as those securities unconditionally guaranteed as to the payment of principal and interest by the United States government or any agency thereof and in corporate bonds. The Company's investment activities are made in accordance with the Company's investment policy. The objectives of the investment policy are to obtain favorable after-tax returns on investments through a diversified portfolio of fixed income, equity and real estate holdings. The Company's investment criteria and practices reflect the short-term duration of its contractual obligations with policyholders and regulators. Tax considerations include federal and state income tax as well as premium tax abatement and credit opportunities offered to insurance companies in the states where AAIC writes policies.

Premiums receivable as of June 30, 2010, increased \$1.7 million to \$36.9 million compared to \$35.2 million as of December 31, 2009. The balance represents amounts due from AAIC's insureds and the increase is directly attributable to the increase in AAIC's premium writings during 2010. The Company's policy is to write off receivable balances immediately upon cancellation or expiration, and the Company does not consider an allowance for doubtful accounts to be necessary.

Reinsurance recoverables as of June 30, 2010, decreased \$8.2 million, to \$35.6 million compared to \$43.8 million as of December 31, 2009. The decrease is directly related to AAIC's reduction in unpaid reinsurance reserves of \$6.8 million due to the settlement of claims and \$1.7 million received for paid loss reinsurance recoverables. AAIC maintains a quota-share reinsurance treaty with its reinsurers in which it cedes approximately 70% of both premiums and losses. The \$35.6 million represents the reinsurers' portion of losses and loss adjustment expense, both paid and unpaid.

Prepaid reinsurance premiums as of June 30, 2010, increased \$1.3 million to \$26.4 million compared to \$25.1 million as of December 31, 2009. The increase results from AAIC's premium growth during the year and represents premiums ceded to its reinsurers which have not been fully earned.

Deferred acquisitions costs as of June 30, 2010, increased \$0.1 million to \$2.6 million compared to \$2.5 million as of December 31, 2009. The increase results from AAIC's premium produced for the first six months of the year.

Other receivables as of June 30, 2010 decreased \$0.3 million to \$1.5 million compared to \$1.8 million as of December 31, 2009. The balances represent TrustWay receivables from insurance carriers for direct bill commissions and balances due to MGA from insurance carriers for amounts owed in accordance with the terms of its managing general agency agreements. The decrease in the receivable is attributable to expense reimbursements received from two non-affiliated MGAs in the states of Florida and Texas of \$0.2 million and \$0.1 million received from agents for uncollected balances.





## **Table of Contents**

Intangible assets as of June 30, 2010, increased \$0.2 million to \$7.7 million from the balance of \$7.5 million as of December 31, 2009. This increase relates to acquisitions made during the year of \$0.3 million, offset by \$0.2 million of amortization of intangible assets in 2010.

Prepaid income taxes decreased \$0.2 million as of June 30, 2010 due to an increase in net income during the first six months of June 30, 2010 and the Company is now in an income tax payable position.

Deferred tax assets decreased \$0.2 million to \$2.7 million as of June 30, 2010, compared to the balance of \$2.9 million as of December 31, 2009. This decrease primarily related to the utilization of net operating loss carry forwards during 2010.

Accounts payable and accrued expenses as of June 30, 2010, decreased slightly from December 31, 2009 of \$8.6 million to \$8.5 million to June 30, 2010. The decrease is primarily due to \$0.6 million in accrued payroll, \$0.3 million decrease in deferred revenue, offset by an increase in commissions payable of \$0.4 million, \$0.2 million in premium taxes and \$0.2 million related to balances due to carriers for premiums.

Unearned premium as of June 30, 2010 increased \$1.9 million to \$37.8 million, compared to \$35.9 million as of December 31, 2009, and represents premiums written but not earned. This is directly attributable to the increase in AAIC's premium writings during 2010.

Unpaid losses and loss adjustment expenses decreased \$9.9 million to \$32.1 million as of June 30, 2010 from \$42.0 million at December 31, 2009. The decrease is mainly due to the increase in claim settlements during the period as the Company is accelerating and paying claims faster, which should improve claim results. This unpaid amount represents management's estimates of future amounts needed to pay claims and related expenses.

Reinsurance payable as of June 30, 2010 increased \$3.2 million to \$31.7 million, compared to \$28.5 million as of December 31, 2009. The amount represents premiums owed to the Company's reinsurers. AAIC maintains seven quota-share reinsurance treaties with its reinsurers in which it cedes 70% of both premiums and losses for the majority of its states. The increase is mainly attributable to the reimbursement of \$3.0 million of premiums received from its reinsurers as a result of an overpayment in prior years.

Provisional commission reserves represent the difference between our minimum ceding commission and the provisional amount paid by the reinsurers. These balances as of June 30, 2010 decreased \$0.1 million to \$3.5 million, compared to the balance at December 31, 2009 of \$3.6 million. The decrease is related to prior period settlements, offset by increases in current year AAIC writings.

Federal income taxes payable increased \$0.1 million as of June 30, 2010 due to an increase in net income during the first six months of June 30, 2010.

Notes payable as of June 30, 2010, decreased \$0.5 million to \$0.2 million compared to \$0.8 million as of December 31, 2009. The change resulted primarily from \$0.3 million in final payments applied to the principal balances payable on promissory notes to the Company's Chairman.

## **Liquidity and Capital Resources**

Net cash provided by operating activities the period ended June 30, 2010, was \$2.0 million compared to net cash used by operating activities of \$1.3 million for the same period of 2009. The increase in operating activities was mainly due to a \$3.0 million reimbursement from the reinsurers offset by higher claims paid during the period.

Investing activities for the period ended June 30, 2010 reflect \$0.1 million paid related to agency acquisitions, \$0.3 million in purchases of computer software and hardware and leasehold improvements in our headquarters and in TrustWay, offset by net inflows from investments in the amount of \$0.1 million.

Financing activities for the period ended June 30, 2010 remained flat when compared to the same period last year.

The Company's liquidity and capital needs have been met in the past through premium, commission and fee income, loans from its Chairman, its former Chief Executive Officer, and former Division President of the Company and the issuance of its Series A Convertible Preferred Stock, Common Stock and Debt Securities. The Company's made its final related party debt payment of the unsecured promissory notes payable to its Chairman in June 2010. The promissory note carried an interest rate of 8% per annum and provided for the repayment of principal on an annual basis.



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**Table of Contents**

On June 30, 2010, the Company entered into a First Amendment Agreement (the First Amendment ) to the Loan Agreement between the Company and Wells Fargo Bank, N.A. (as successor in interest by merger to Wachovia Bank, N.A.) (the Lender ). The First Amendment amends the Loan Agreement, dated July 17, 2009, between the Company and the Lender (the Loan Agreement ).

The First Amendment extends the maturity date for the facility to July 16, 2011. The proceeds of the facility may be used for funding certain permitted acquisitions, funding short-term loans to the Company's wholly owned subsidiary, AAIC, or for working capital or general corporate needs in the ordinary course of business. The credit facility is secured by a pledge of the Company's ownership interests in two of the Company's subsidiaries, TrustWay and MGA, and is guaranteed by the same entities. In addition, TrustWay pledged its ownership interest in TrustWay T.E.A.M., Inc., which is also a guarantor.

The First Amendment provides that the facility shall be repaid in full and no loans under the facility may be outstanding for at least one period of 30 consecutive days during each 12 month period in which the Loan Agreement is in effect. In addition, the Company's minimum fixed charge coverage ratio, which was 1.35 under the Loan Agreement, decreases to 1.10 for each of the fiscal quarters ended June 30, 2010, and September 30, 2010 and to 1.25 for each subsequent fiscal quarter. The Loan Agreement includes customary covenants, including financial covenants regarding minimum fixed charge coverage ratio and minimum net worth. As of June 30, 2010, management believes the Company was in compliance with all these covenants. The interest rate is 3.00% plus 90-day LIBOR due and payable monthly (3.533% June 30, 2010). As of June 30, 2010, there is \$1.5 million in borrowings outstanding under the credit agreement.

On December 22, 2005, the Company consummated the private placement of 5,000 of the Trust's floating rate capital securities, with a liquidation amount of \$1,000 per capital security (the Capital Securities ). In connection with the Trust's issuance and sale of the Capital Securities, the Company purchased from the Trust 155 of the Trust's floating rate common securities, with a liquidation amount of \$1,000 per common security (the Common Securities ). The Trust used the proceeds from the issuance and sale of the Capital Securities and the Common Securities to purchase \$5,155,000 in aggregate principal amount of the floating rate junior subordinated debentures of the Company (the Debentures ). The Capital Securities mature on December 31, 2035, but may be redeemed at par beginning December 31, 2010. The Capital Securities require quarterly distributions by the Trust to the holders of the Capital Securities, at a floating rate of three-month LIBOR plus 5.75% per annum, reset quarterly. Distributions are cumulative and will accrue from the date of original issuance but may be deferred for a period of up to 20 consecutive quarterly interest payment periods, if the Company exercises its right under the Indenture to defer the payment of interest on the Debentures.

On March 10, 2009, AAIC purchased all of the Capital Securities issued by the Trust at a discounted price of \$1,000,000 from the non-affiliated holder of those securities. The discount is being accreted to interest income over the remaining life of the Capital Securities using the interest method.

To support Company growth, the Company maintains a highly liquid investment portfolio and closely manages capital requirements. AAIC is required by the state of South Carolina to maintain minimum statutory capital and surplus of \$3.0 million. As of June 30, 2010, AAIC's statutory capital and surplus was \$13.0 million.

In April of 2010, the Company's shareholders approved the Company's 2010 Incentive Plan ( 2010 Plan ). The aggregate number of shares of common stock reserved and available for issuance pursuant to awards granted to participants under the 2010 Plan consists of 2,000,000 shares. As of June 30, 2010, there were 7,806,825 shares of the Company's common stock subject to outstanding awards under the prior 2000 Incentive Plan (the Prior Plan ). The company will not grant any additional awards under the Prior Plan, and it expired in June 2010.

**Loss and LAE Reserves**

The Company is required to make certain estimates and assumptions when preparing its financial statements and accompanying notes in accordance with GAAP. One area which requires estimations and assumptions is the establishment of loss and LAE reserves. Loss and LAE reserves are established to reflect the estimated costs of paying claims and claims expenses under insurance policies we have issued. These reserves are an approximation of amounts necessary to settle all outstanding claims, including claims of which we are aware and claims that have been incurred but not reported ( IBNR ) as of the financial statement date.

**Table of Contents**

At June 30, 2010 and 2009, we had \$9.3 million and \$12.3 million of net loss and LAE reserves, which included \$5.6 million and \$6.4 million of case reserves and \$3.7 million and \$5.9 million of IBNR reserves. During 2010, the Company had a decrease in case reserves and IBNR reserves. This decrease is the result of an enhanced claims handling process enabling us to better serve our customers and accelerate claims payments in some cases, which reduces the need for reserves.

**GROSS RESERVES BY LINE OF BUSINESS**

The following table presents the gross reserves by line of business as of June 30, 2010 and December 31, 2009:

	2010	2009
Personal Auto Liability	\$ 30,535,624	\$ 37,545,120
Personal Auto Physical Damage	1,541,583	4,427,863
<b>Total Gross Reserves-Unpaid Losses and LAE</b>	<b>\$ 32,077,207</b>	<b>\$ 41,972,983</b>

The decrease in gross reserves was \$9.9 million due to an increase in claims settlements and improved claim handling in the first six months of 2010. The liability line of business decreased \$7.0 million and the auto physical damage line decreased of \$2.9 million.

**Variability of Reserves for Loss and LAE**

Management believes that there are no changes in key factors or assumptions that would materially affect the estimate of the reserves for loss and LAE and the financial position of the Company. The Company's low average policy limit and concentration on the nonstandard auto driver classification help stabilize fluctuations in frequency and severity, thereby limiting the potential variability the reserve level may have on reported results. For example, approximately 97% of policies included within the nonstandard book of business include only the state-mandated minimum policy limits for bodily injury and property damage, which mitigates the complexity of estimating average severity. These low limits tend to reduce the exposure of the loss reserves on this coverage to medical cost inflation on severe injuries since the minimum policy limits will limit the total payout.

The following table provides the estimated changes in the liability and related payments made for the calendar periods ended June 30, 2010 and 2009. The increase in paid losses and LAE has enabled us to reduce loss and LAE reserves over time.

	2010	2009
Change in net loss and LAE reserves	\$ (2,979,132)	\$ 592,081
Paid losses and LAE	14,814,875	11,480,125
<b>Total incurred losses and LAE</b>	<b>\$ 11,835,743</b>	<b>\$ 12,072,206</b>
Loss and LAE ratio(1)	70.2%	71.0%

(1) The ratio was calculated by taking losses and LAE divided by the Net Premiums Earned.

**Losses and Loss Adjustment Expenses**

The Company's claims costs represents payments made and estimated future payments to be made to or on behalf of our policyholders, including expenses needed to adjust or settle claims. These costs relate to current costs under our non-standard state-mandated automobile insurance programs. Claims costs are impacted by loss severity and frequency and are influenced by inflation and driving patterns, among other factors. Accordingly, anticipated changes in these factors are taken into account when we establish premium rates and loss reserves.



**Table of Contents**

During the six months ended June 30, 2010, our loss and LAE ratio increased slightly by 0.2% as compared to a 8.4% decrease in the same period a year ago. The first six months of June 2010 increase is due to an increase in industry-wide loss costs in both bodily injury and auto physical damage coverages and the June 2009 decrease was mainly related to an increase in premium production and policy fees, which were classified as premium in 2009. We continuously monitor internal and industry-wide severity trends and adjust rates as appropriate to compensate for the higher loss costs.

The table below presents the development experienced in the following periods:

	2010	2009
Prior year incurred losses	\$ 291,005	\$ (659,020)
Current year incurred losses and LAE	11,544,738	12,731,226
<b>Total incurred losses and LAE</b>	<b>\$ 11,835,743</b>	<b>\$ 12,072,206</b>
Increase (decrease) to the calendar year loss and LAE ratio	0.2%	(8.4)%

The 2010 prior year incurred loss development was unfavorable by \$0.3 million for the first six months of 2010 due to an increase in losses in the 2009 and prior accident years. The 2009 prior year-to-date development was favorable by \$0.7 million, which related to the 2008 and prior accident years. The unfavorable development reflects losses settling for more than previously reserved and the favorable development reflects losses settling for less than previously reserved, particularly in our higher limit bodily injury coverages. Changes in our estimate of severity from what we originally expected when establishing the reserves is the principal cause of prior accident year development. These changes in estimates are the result of what we are observing in the underlying data as it develops. Our personal lines case loss reserves (e.g., claims settling for more than reserved) had minimal development during the year.

**Ceded Reinsurance**

The Company cedes a significant portion of its personal automobile premium to other reinsurers. The Company's reinsurance strategy is to use quota share reinsurance to mitigate the financial impact of losses on its operations, while enabling premium growth within its capital base. Historically, the Company's reinsurance contracts have been one or two years in duration, subject to renewal.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. The Company periodically reviews the financial condition of its reinsurers to minimize its exposure to losses from reinsurer insolvencies. Further, the reinsurers cover up to \$2,000,000 in aggregate claims for extra contractual obligations each policy year.

**The impact of reinsurance on the income statement as of June 30, 2010 and 2009 is as follows:**

	2010	2009
Written premiums ceded:	\$ 36,620,776	\$ 38,919,363
Ceding commissions earned:	\$ 8,251,452	\$ 8,993,299
Ceded losses and loss adjustment expenses incurred:	\$ 30,341,054	\$ 28,886,170

**Table of Contents**

The impact of reinsurance on the balance sheets as of June 30 and December 31, 2009 is as follows:

	2010	2009
Reinsurance recoverable:	\$ 35,587,813	\$ 43,809,125
Ceded unpaid losses and loss adjustment expense:	\$ 22,793,248	\$ 29,709,859
Ceded unearned premiums:	\$ 26,432,012	\$ 25,098,051
Reinsurance payable:	\$ 31,701,542	\$ 28,523,284

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. The Company reports as assets (a) the estimated reinsurance recoverable on unpaid losses, including an estimate for losses incurred but not reported, and (b) amounts paid to reinsurers applicable to the policies-in-force.

During 2010 and 2009, the Company ceded approximately 68% of its premium and losses to the contracted reinsurers. Premiums ceded under this reinsurance agreement for the six months ended June 30, 2010 and 2009 were \$36.6 million and \$38.9 million, respectively. The related ceding commission was approximately \$8.3 million in 2010 and \$9.0 million in 2009. The decline in ceded premium is mainly due to a decrease in premium volume in the states of Florida, Georgia and Louisiana, offset by increases in Texas and Virginia.

Ceded reinsurance for all programs reduced the Company's incurred losses and LAE by \$30.3 million and \$28.9 million for the six months ended June 30, 2010 and 2009, respectively.

Reinsurance assets include balances due from other contracted reinsurers under the terms of reinsurance agreements. Amounts applicable to ceded unearned premiums, ceded loss payments and ceded claims liabilities are reported as assets in the accompanying balance sheets. Under the reinsurance agreements, the Company has four reinsurers that are required to collateralize the reinsurance recoverables. As of June 30, 2010, all reinsurers have provided a letter of credit or a secured trust account to provide security sufficient to satisfy the Company's obligations under the reinsurance agreement. The Company believes the fair value of its reinsurance recoverables approximates their carrying amounts.

The Company's reinsurance recoverable balances amounted to \$35.6 million and \$43.8 million as of June 30, 2010 and December 31, 2009, respectively. The recoverable includes ceded unpaid losses and loss adjustment expenses of \$22.8 million and \$29.7 million of the same periods, respectively. The ceded reserves from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies ceded. Reinsurance recoverable assets include paid loss balances due from other insurance companies under the terms of reinsurance agreements in the amount of \$12.8 million and \$14.1 million as of June 30, 2010 and December 31, 2009, respectively. The paid loss recoverables are in good standing as of June 30, 2010.

The Company's ceded unearned premium relates to policies in force and is earned ratably over the policy period. As of June 30, 2010 and December 31, 2009, the ceded unearned reserves amounted to \$26.4 million and \$25.1 million, respectively. The unearned premium will become earned over the term of the policy. Reinsurance payable of \$31.7 million and \$28.5 million as of June 30, 2010 and December 31, 2009 represents the amounts due to reinsurers for ceded premiums net of commissions. The Company pays its reinsurers on a collected premium basis, and no balances are in dispute through June 30, 2010.

The Company's quota share reinsurance facility has a significant impact on its cash flows. Since the Company cedes approximately 68% of its premium and losses, the Company relies heavily on its reinsurers to settle outstanding reinsurance balances due for loss payments net of premiums collected. The Company paid premiums net of commissions of \$25.1 million and \$27.7 million and received reinsu