

AMERICAN PHYSICIANS SERVICE GROUP INC
Form 10-Q
November 04, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

þ Quarterly Report Pursuant to Sections 13 or 15(d) of the
Securities Exchange Act of 1934

For the period ended

September 30, 2008

or

¨ Transition Report Pursuant to Sections 13 or 15(d) of
the Securities and Exchange Act of 1934

For the transition period from

_____ to _____

Commission File Number 001-31434

AMERICAN PHYSICIANS SERVICE GROUP, INC.

(Exact name of registrant as specified in its charter)

Texas

75-1458323

(State or other jurisdiction of incorporation or organization) (I.R.S. employer identification No.)

1301 S. Capital of Texas Highway, Suite C-300, Austin, Texas 78746

(Address of principal executive offices)(Zip Code)

(512) 328-0888

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for 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 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.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Number of Shares Outstanding At

Title of Each Class

October 31, 2008

Common Stock, \$.10 par value

7,042,984

AMERICAN PHYSICIANS SERVICE GROUP, INC.

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PART 1**FINANCIAL INFORMATION****AMERICAN PHYSICIANS SERVICE GROUP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(in thousands)	September 30, 2008	December 31, 2007
Assets		
Investments:		
Fixed maturities available for sale, at fair value	\$ 200,083	\$ 191,609
Equity securities available for sale, at fair value	11,332	11,406
Other invested assets	1,580	1,787
Total investments	212,995	204,802
Cash and cash equivalents	16,491	18,391
Cash - restricted	126	694
Accrued investment income	1,502	1,299
Premium and maintenance fees receivable	18,995	15,946
Reinsurance recoverables on paid and unpaid loss adjustment expenses	16,773	20,019
Other amounts receivable under reinsurance contracts	558	4,535
Deferred policy acquisition costs	2,720	2,514
Subrogation recoverables	217	423
Federal income tax receivable	-	1,957
Deferred tax assets	10,300	7,402
Property and equipment, net	609	350
Intangible assets	1,264	1,045
Other assets	2,267	3,421
Total assets	\$ 284,817	\$ 282,798

The accompanying notes are an integral part of these condensed consolidated financial statements.

AMERICAN PHYSICIANS SERVICE GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands)	September 30, 2008	December 31, 2007
Liabilities		
Reserve for loss and loss adjustment expense	\$ 93,447	\$ 101,606
Unearned premiums and maintenance fees	39,807	35,417
Reinsurance premiums payable	39	407
Funds held under reinsurance treaties	4,363	4,651
Trade accounts payable	354	996
Accrued expenses and other liabilities	5,003	7,187
Federal income tax payable	1,043	-
Mandatorily redeemable preferred stock	7,477	8,554
Total liabilities	151,533	158,818
Commitments and contingencies		
Shareholders Equity		
Preferred stock, \$1.00 par value, 1,000,000 shares authorized, 8,087 and 9,179 issued and outstanding at September 30, 2008 and December 31, 2007, respectively		
Common stock, \$0.10 par value, 20,000,000 shares authorized, 7,131,056 and 7,213,626 issued and outstanding at September 30, 2008 and December 31, 2007, respectively		
	713	721
Additional paid-in capital	77,622	79,752
Accumulated other comprehensive income (loss), net of taxes	(2,626)	545
Retained earnings	57,575	42,962
Total shareholders equity	133,284	123,980

Total liabilities & shareholders equity	\$	284,817	\$	282,798
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The accompanying notes are an integral part of these condensed consolidated financial statements.

AMERICAN PHYSICIANS SERVICE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
REVENUES				
Gross premiums and maintenance fees written	\$ 21,246	\$ 22,239	\$ 51,106	\$ 37,284
Premiums ceded	711	504	1,087	3,922
Change in unearned premiums & maintenance fees	(6,248)	(5,112)	(4,536)	(3,129)
Net premiums and maintenance fees earned	15,709	17,631	47,657	38,077
Investment income, net of investment expense	2,996	2,904	9,011	5,743
Realized capital loss, net	(474)	(3,195)	(4,312)	(3,659)
Management services	42	70	63	3,765
Financial services	1,558	5,434	4,835	17,623
Other revenue	55	35	87	69
Total revenues	19,886	22,879	57,341	61,618
EXPENSES				
Losses and loss adjustment expenses	2,259	4,624	11,347	7,786
Other underwriting expenses	3,220	3,262	8,322	5,696
Change in deferred policy acquisition costs	(403)	(444)	(206)	(287)
Management services expenses	-	-	-	3,823
Financial services expenses	2,127	4,907	8,013	15,599
General and administrative expenses	1,502	1,608	4,221	3,800

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Impairment of goodwill	-	-	-	1,247
Total expenses	8,705	13,957	31,697	37,664
Income from operations	11,181	8,922	25,644	23,954
Income tax expense	3,998	3,630	8,935	8,949
Minority interests	-	-	-	1
Net income before extraordinary gain	\$ 7,183	\$ 5,292	\$ 16,709	\$ 15,004
Extraordinary gain, net of taxes	-	-	-	2,264
Net income	\$ 7,183	\$ 5,292	\$ 16,709	\$ 17,268

The accompanying notes are an integral part of these condensed consolidated financial statements.

AMERICAN PHYSICIANS SERVICE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Net income per common share				
Basic:				
Net income before extraordinary gain	\$ 1.01	\$ 0.74	\$ 2.33	\$ 3.01
Extraordinary gain	-	-	-	0.46
Net Income	\$ 1.01	\$ 0.74	\$ 2.33	\$ 3.47
Diluted:				
Net income before extraordinary gain	\$ 0.99	\$ 0.73	\$ 2.29	\$ 2.93
Extraordinary gain	-	-	-	0.44
Net Income	\$ 0.99	\$ 0.73	\$ 2.29	\$ 3.37
Basic weighted average shares outstanding	7,134	7,107	7,160	4,977
Diluted weighted average shares outstanding	7,244	7,253	7,286	5,114

The accompanying notes are an integral part of these condensed consolidated financial statements.

AMERICAN PHYSICIANS SERVICE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY AND
COMPREHENSIVE INCOME (LOSS)

For the Nine Months ended September 30, 2008

(Unaudited)

(In thousands, except
share amounts)

	Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Comprehensive Income (Loss)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
Balance December 31, 2007	7,213,626	\$ 721	\$ 79,752	\$ 42,962	\$ -	\$ 545	\$ -	\$ 123,980

Comprehensive
income: