

AMERICAN PHYSICIANS SERVICE GROUP INC  
Form 10-Q  
May 05, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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**FORM 10-Q**

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

For the period ended

March 31, 2010

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**  
(State or other jurisdiction of  
incorporation or organization)

**75-1458323**  
(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

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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 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 (§232.405 of this chapter) 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.

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**

<b><u>Title of Each Class</u></b>	<b><u>April 30, 2010</u></b>
Common Stock, \$.10 par value	6,866,101

**AMERICAN PHYSICIANS SERVICE GROUP, INC.**

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**PART 1**  
**FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**AMERICAN PHYSICIANS SERVICE GROUP, INC.**  
**CONSOLIDATED BALANCE SHEETS**

(in thousands)

	<b>March 31, 2010</b>	<b>December 31, 2009</b>
	(Unaudited)	
<i>Assets</i>		
Investments:		
Fixed maturities available for sale, at fair value	\$ 239,988	\$ 226,583
Equity securities available for sale, at fair value	12,190	12,944
Other invested assets	1,553	1,534
<b><i>Total investments</i></b>	<b>253,731</b>	<b>241,061</b>
Cash and cash equivalents	19,279	18,277
Accrued investment income	1,717	1,700
Premiums receivable	16,566	15,678
Reinsurance recoverables on paid and unpaid loss and loss adjustment expenses	7,461	8,897
Other amounts receivable under reinsurance contracts	-	785
Deferred policy acquisition costs	2,430	2,335
Income tax receivable	-	623
Deferred tax assets	5,672	6,015
Property and equipment, net	407	406
Intangible assets	2,545	2,563
Other assets	1,560	1,432
<b><i>Total assets</i></b>	<b>\$ 311,368</b>	<b>\$ 299,772</b>

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

**AMERICAN PHYSICIANS SERVICE GROUP, INC.  
CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share amounts)

	<b>March 31, 2010</b>	<b>December 31, 2009</b>
	(Unaudited)	
<b><i>Liabilities</i></b>		
Reserve for loss and loss adjustment expense	\$ 89,171	\$ 88,668
Unearned premiums	38,707	36,341
Reinsurance premiums payable	14	30
Funds held under reinsurance treaties	3,113	2,379
Federal income tax payable	1,175	-
Trade payables	5,820	94
Accrued expenses and other liabilities	3,717	6,371
Mandatorily redeemable preferred stock	5,504	6,679
<b><i>Total liabilities</i></b>	<b>147,221</b>	<b>140,562</b>
Commitments and contingencies		
<b><i>Shareholders' Equity</i></b>		
Common stock, \$0.10 par value, 20,000,000 shares authorized, 6,872,457 and 6,876,215 issued		
and outstanding at March 31, 2010 and December 31, 2009	687	688
Additional paid-in capital	81,973	81,784
Accumulated other comprehensive income	5,852	5,345
Retained earnings	75,635	71,393
<b><i>Total shareholders' equity</i></b>	<b>164,147</b>	<b>159,210</b>
<b><i>Total liabilities &amp; shareholders' equity</i></b>	<b>\$ 311,368</b>	<b>\$ 299,772</b>

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

**AMERICAN PHYSICIANS SERVICE GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

(in thousands)	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>REVENUES</b>		
Gross premiums written	\$ 18,624	\$ 17,540
Premiums ceded	(149)	328
Change in unearned premiums	(2,366)	(1,411)
Net premiums earned	16,109	16,457
Investment income, net of investment expense	2,500	2,551
Realized capital losses, net	(49)	(374)
Other-than-temporary impairments	(41)	(908)
Financial services	1,440	1,448
Other revenue	56	57
<b>Total revenues</b>	<b>20,015</b>	<b>19,231</b>
<b>EXPENSES</b>		
Losses and loss adjustment expenses	6,941	6,121
Other underwriting expenses	3,159	3,221
Change in deferred policy acquisition costs	(95)	(181)
Financial services expenses	1,692	1,628
General and administrative expenses	1,466	1,224
<b>Total expenses</b>	<b>13,163</b>	<b>12,013</b>
Income from operations	6,852	7,218
Income tax expense	2,324	2,488
Net income	\$ 4,528	\$ 4,730

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





**AMERICAN PHYSICIANS SERVICE GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

(in thousands, except per share data)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2010</b>	<b>2009</b>
Net income per common share		
Basic:		
Net Income	\$ 0.66	\$ 0.68
Diluted:		
Net Income	\$ 0.65	\$ 0.67
Basic weighted average shares outstanding	6,857	6,994
Diluted weighted average shares outstanding	6,967	7,083

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

**AMERICAN PHYSICIANS SERVICE GROUP, INC.**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME**  
**For the three months ended March 31, 2010**  
**(Unaudited)**

(In thousands, except  
share amounts)

	<b>Shares Outstanding</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Comprehensive Income</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Treasury Stock</b>	<b>Total Shareholders' Equity</b>
Balance December 31, 2009	6,876,215	\$ 688	\$ 81,784					