

PROFESSIONALS DIRECT INC  
Form 10QSB  
August 14, 2007

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

**FORM 10-QSB**

(MARK ONE)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 2007

TRANSITION REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **000-49786**

**PROFESSIONALS DIRECT, INC.**  
(Exact Name of Small Business Issuer as Specified in its Charter)

**Michigan** **38-3324634**  
(State or Other Jurisdiction of Incorporation or (I.R.S. Employer Identification No.)  
Organization)

**5211 Cascade Road, S.E.** **(616) 456-8899**  
**Grand Rapids, Michigan 49546** (Issuer's Telephone Number,  
(Address of Principal Executive Offices) Including Area Code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 X No \_\_\_

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes \_\_\_ No X.

There were 333,300 shares of Common Stock outstanding as of July 31, 2007.

Transitional Small Business Disclosure Format (check one): Yes  No .

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

PROFESSIONALS DIRECT, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEET  
(Unaudited)

<i>June 30,</i>	<b>2007 (000)</b>
<b>Assets</b>	
Fixed maturities held to maturity, at amortized cost	\$ 7,014
Fixed maturities available for sale, at fair value	31,341
Other invested asset, at cost which approximates fair value	277
<b>Total investments</b>	<b>38,632</b>
Cash and cash equivalents	5,528
Receivables:	
Amounts due from reinsurers	14,367
Other	1,968
Prepaid reinsurance premiums	3,568
Deferred acquisition costs	1,585
Net deferred federal income taxes	1,326
Other assets	1,685
<b>Total Assets</b>	<b>\$ 68,659</b>
<b>Liabilities and Shareholders' Equity</b>	
<b>Liabilities</b>	
Loss and loss adjustment expense reserves	\$ 32,398
Unearned premiums	12,709
Amounts due to reinsurers	1,931
Other liabilities	2,216
Accrued interest	1,003
Surplus certificates	1,343
Trust preferred securities	5,000
<b>Total Liabilities</b>	<b>56,600</b>
<b>Shareholders' Equity</b>	
Preferred stock, no par (500,000 shares authorized, no shares issued)	-
Common stock, no par (5,000,000 shares authorized, 333,300 shares issued and outstanding)	3,204
Retained earnings	9,192
Accumulated other comprehensive loss	(337)
<b>Total Shareholders' Equity</b>	<b>12,059</b>

<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 68,659</b>
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See accompanying notes to condensed consolidated financial statements.

PROFESSIONALS DIRECT, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)  
AND COMPREHENSIVE INCOME (LOSS)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007 (000)	2006 (000)	2007 (000)	2006 (000)
<b>Revenues</b>				
Net premiums earned	\$ 4,079	\$ 4,015	\$ 8,037	\$ 8,019
Fees and commissions	256	232	512	444
Net investment income	404	368	807	727
Finance and other income, including unusual gains	46	91	170	251
<b>Total revenues</b>	<b>4,785</b>	4,706	<b>9,526</b>	9,441
<b>Expenses</b>				
Losses and loss adjustment expenses	4,458	3,135	7,245	5,970
Operating and administrative	1,034	1,128	2,257	2,076
Strategic alternatives	274	-	274	-
Interest	129	142	257	281
<b>Total expenses</b>	<b>5,895</b>	4,405	<b>10,033</b>	8,327
<b>Income (loss) before federal income taxes</b>	<b>(1,110)</b>	301	<b>(507)</b>	1,114
Federal income taxes (benefit)	(430)	66	(272)	316
<b>Net income (loss)</b>	<b>(680)</b>	235	<b>(235)</b>	798
Other comprehensive loss (Net of tax benefit of \$50, \$26, \$16 and \$88, respectively)	(97)	(50)	(31)	(171)
<b>Comprehensive income (loss)</b>	<b>\$ (777)</b>	\$ 185	<b>\$ (266)</b>	\$ 627
<b>Per share of common stock (not in thousands):</b>				
Basic and diluted net income (loss) per share	\$ (2.04)	\$ .70	\$ (.71)	\$ 2.39
Basic and diluted comprehensive income (loss) per share	(2.33)	.55	(.80)	1.88

See accompanying notes to condensed consolidated financial statements.

PROFESSIONALS DIRECT, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six Months Ended June 30,	
	2007	2006
	(000)	(000)
<b>Operating activities</b>		
Net income (loss)	\$ (235)	\$ 798
Adjustments to reconcile net income to net cash from operating activities:		
Deferred federal income taxes	(72)	119
Gain from redemption of surplus certificates	(82)	(157)
Loss on disposal of assets	15	-
Depreciation and amortization	310	328
Changes in operating assets and liabilities:		
Amounts due from reinsurers	2,014	(5,210)
Other receivables	80	44
Prepaid reinsurance premiums	551	86
Federal income taxes recoverable	(400)	(466)
Deferred acquisition costs	(169)	(33)
Other assets	(69)	(99)
Loss and loss adjustment expense reserves	(478)	4,458
Amounts due to reinsurers	201	292
Unearned premiums	924	(118)
Other liabilities	(531)	880
Accrued interest	(142)	(318)
Net cash from operating activities	1,917	604
<b>Investing activities</b>		
Cost of fixed maturities acquired	(6,173)	(9,692)
Proceeds from sales or maturities of fixed maturities	4,479	5,093
Cost of property and equipment acquired	(59)	(309)
Net cash for investing activities	(1,753)	(4,908)
<b>Financing activities</b>		
Repayments of surplus certificates	(178)	(425)
Net repayments under lines of credit	-	(170)
Net cash for financing activities	(178)	(595)
<b>Net decrease in cash and cash equivalents</b>	<b>(14)</b>	<b>(4,899)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>5,542</b>	<b>9,309</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 5,528</b>	<b>\$</b>