UNICO AMERICAN CORP
Form 10-Q
November 15, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2010 or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File No. 0-3978

UNICO AMERICAN CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Nevada (State or Other Jurisdiction of Incorporation or Organization)	95-2583928 (I.R.S. Employee Identification No.)

23251 Mulholland Drive, Woodland Hills, California 91364
(Address of Principal Executive Offices) (Zip Code)

(818) 591-9800
(Registrant's Telephone Number, Including Area Code)

No Change
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 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 X 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 __ Smaller reporting company X
(Do not check if a 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 X

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

Class	Outstanding at November 12, 2010
Common Stock, $0 Par value per share	5,317,054

PART 1 - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

UNICO AMERICAN CORPORATION
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	September 30 2010 (Unaudited)	December 31 2009
ASSETS		
Investments		
Available for sale:		
Fixed maturities, at fair value (amortized cost: September 30, 2010 $119,152,401; December 31, 2009 $128,440,695)	$123,269,534	$132,595,483
Short-term investments, at cost	13,950,832	9,157,832
Total Investments	137,220,366	141,753,315
Cash	301,081	118,512
Accrued investment income	669,667	763,840
Premiums and notes receivable, net	4,190,598	4,364,747
Reinsurance recoverable:		
Paid losses and loss adjustment expenses	69,137	453,314
Unpaid losses and loss adjustment expenses	13,537,208	16,175,863
Deferred policy acquisition costs	4,530,144	4,955,636
Property and equipment (net of accumulated depreciation)	1,318,638	221,255
Deferred income taxes	861,099	633,191
Other assets	509,082	668,979
Total Assets	$163,207,020	$170,108,652
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Unpaid losses and loss adjustment expenses	$64,149,745	$71,585,408
Unearned premiums	16,805,304	18,811,415
Advance premium and premium deposits	1,148,178	1,034,052
Accrued expenses and other liabilities	6,208,183	5,362,437
Total Liabilities	$88,311,410	$96,793,312
STOCKHOLDERS' EQUITY		
Common stock, no par – authorized 10,000,000 shares; issued and outstanding shares 5,317,054 at September 30, 2010, and 5,306,204 at December 31, 2009	$3,471,087	$3,437,343
Accumulated other comprehensive income	2,717,308	2,742,160
Retained earnings	68,707,215	67,135,837
Total Stockholders’ Equity	$74,895,610	$73,315,340
Total Liabilities and Stockholders' Equity	$163,207,020	$170,108,652

See notes to unaudited consolidated financial statements.

UNICO AMERICAN CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
REVENUES				
Insurance Company Revenues				
Premium earned	$8,784,025	$10,088,770	$27,135,608	$30,185,220
Premium ceded	1,836,956	2,336,520	5,657,678	6,950,632
Net premium earned	6,947,069	7,752,250	21,477,930	23,234,588
Investment income	839,403	1,011,848	2,685,061	3,379,032
Other income	150,004	174,490	505,289	575,028
Total Insurance Company Revenues	7,936,476	8,938,588	24,668,280	27,188,648
Other Revenues from Insurance Operations				
Gross commissions and fees	1,078,231	1,277,838	3,456,484	4,072,049
Investment income	752	35	2,891	1,310
Finance charges and fees earned	69,598	86,755	236,833	279,417
Other income	3,757	1,196	9,174	4,659
Total Revenues	9,088,814	10,304,412	28,373,662	31,546,083
EXPENSES				
Losses and loss adjustment expenses	4,501,433	4,931,348	14,384,197	14,353,234
Policy acquisition costs	1,805,586	1,845,975	5,535,572	5,770,733
Salaries and employee benefits	1,111,503	1,305,366	3,280,845	4,015,515
Commissions to agents/brokers	153,932	251,538	516,673	860,515
Other operating expenses	829,039	1,071,232	2,569,952	3,103,496
Total Expenses	8,401,493	9,405,459	26,287,239	28,103,493
Income Before Taxes	687,321	898,953	2,086,423	3,442,590
Income Tax Expense	63,359	281,273	515,045	1,111,600
Net Income	$623,962	$617,680	$1,571,378	$2,330,990
PER SHARE DATA:				
Basic				
Earnings Per Share	$0.12	$0.11	$0.30	$0.42
Weighted Average Shares	5,316,751	5,499,691	5,310,501	5,545,204
Diluted				
Earnings Per Share	$0.12	$0.11	$0.29	$0.42
Weighted Average Shares	5,352,571	5,541,867	5,350,974	5,584,711

See notes to unaudited consolidated financial statements.

UNICO AMERICAN CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Net Income	$623,962	$617,680	$1,571,378	$2,330,990
Other changes in comprehensive income, net of tax:				
Unrealized gains (losses) on securities classified as available-for-sale arising during the period	(137,827)	10,630	(24,852)	(1,702,371)
Comprehensive Income	$486,135	$628,310	$1,546,526	$628,619

See notes to unaudited consolidated financial statements.

UNICO AMERICAN CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended September 30	
	2010	2009
Cash Flows from Operating Activities:		
Net Income	$1,571,378	$2,330,990
Adjustments to reconcile net income to net cash from operations		
Depreciation	96,156	146,937
Bond amortization, net	75,046	212,453
Changes in assets and liabilities		
Premium, notes and investment income receivable	268,322	376,078
Reinsurance recoverable	3,022,832	2,305,259
Deferred policy acquisition costs	425,492	107,377
Other assets	14,936	106,049
Unpaid losses and loss adjustment expenses	(7,435,663)	(5,167,168)
Unearned premium	(2,006,111)	(310,281)
Advance premium and premium deposits	114,126	69,856
Accrued expenses and other liabilities	(271,793)	(456,983)
Income taxes current/deferred	(70,143)	(1,198,206)
Net Cash Used by Operating Activities	(4,195,422)	(1,477,639)
Investing Activities		
Purchase of fixed maturity investments	(24,585,750)	(22,651,641)
Proceeds from maturity of fixed maturity investments	33,798,999	42,700,000
Net (increase) in short-term investments	(4,793,000)	(16,169,000)
(Additions) to property and equipment	(76,002)	(56,503)
Net Cash Provided by Investing Activities	4,344,247	3,822,856
Financing Activities		
Dividends paid to shareholders	-	(1,002,173)
Proceeds from issuance of common stock	33,744	-
Repurchase of common stock	-	(1,303,223)
Net Cash Provided (Used) by Financing Activities	33,744	(2,305,396)
Net increase in cash	182,569	39,821
Cash at beginning of period	118,512	27,710
Cash at End of Period	$301,081	$67,531
Supplemental Cash Flow Information		
Cash paid during the period for:		
Interest	-	-
Income taxes	$583,931	$2,308,920

Supplemental Schedule of Non-Cash Investing Activities		
Acquisition of fixed assets	$1,117,537	-

See notes to unaudited consolidated financial statements.

UNICO AMERICAN CORPORATION
AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business
Unico American Corporation is an insurance holding company that underwrites property and casualty insurance through its subsidiary Crusader Insurance Company (Crusader); provides property, casualty, and health insurance through its agency subsidiaries; and provides insurance premium financing and membership association services through its other subsidiaries. Unico American Corporation is referred to herein as the "Company" or "Unico" and such references include both the corporation and its subsidiaries, all of which are wholly owned, unless otherwise indicated. Unico was incorporated under the laws of Nevada in 1969.

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of Unico American Corporation and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation
The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2010, are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. Quarterly financial statements should be read in conjunction with the consolidated financial statements and related notes in the Company’s 2009 Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

Use of Estimates in the Preparation of the Financial Statements
The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect its reported amounts of assets and liabilities and its disclosure of any contingent assets and liabilities at the date of its financial statements, as well as its reported amounts of revenues and expenses during the reporting period. The most significant assumptions in the preparation of these consolidated financial statements relate to losses and loss adjustment expenses. While every effort is made to ensure the integrity of such estimates, actual results may differ.

Fair Value of Financial Instruments

The Company has used the following methods and assumptions in estimating its fair value disclosures:

· Fixed maturities:

o

Investment securities, excluding long-term certificates of deposit – Fair values are obtained from a national quotation service.

o Long-term certificates of deposit – The carrying amounts reported at cost in the balance sheet for these instruments approximate their fair values.

- Cash and short-term investments – The carrying amounts reported at cost in the balance sheet approximate their fair values given the short-term nature of these instruments.

- Premium and notes receivable – The carrying amounts reported at cost in the balance sheet approximate their fair values given the short-term nature of these instruments.

NOTE 2 – EMPLOYEE BENEFITS

In the quarter ended March 31, 2010, the Company recorded an adjustment to correct an error that originated in the fourth quarter of 2009. The effect of the adjustment on the nine months ended September 30, 2010, was a reduction to salaries and employee benefit expenses of approximately $249,000 and an increase to net income of approximately $164,000. The correction was the result of a decision made in March 2010 to reduce the Company's annual contribution to the employee profit sharing plan for the plan year ending March 31, 2010. Had this accrual adjustment been properly reflected in the fourth quarter of 2009, total stockholders' equity as of December 31, 2009, and net income for the year ended December 31, 2009 would have increased approximately $164,000. The Company made an assessment of the materiality of this item on the Company's historical consolidated financial statements in accordance with SAB No. 99, "Materiality," and concluded that the error was immaterial to all periods.

The salaries and employee benefits reflected in the Consolidated Statements of Operations for the nine months ended September 30, 2010 is different than the incurred expense as shown in the following table:

	Nine Months Ended MonthsEnded September 30		Year Ended December 31
	2010	2009	2009
Salaries and employee benefits incurred	$3,530,017	$4,015,515	$4,950,955
Adjustment to profit sharing plan contribution	(249,172)	-	249,172
Salaries and benefits per Consolidated Statements of Operations	$3,280,845	$4,015,515	$5,200,127

NOTE 3 - REPURCHASE OF COMMON STOCK – EFFECTS ON STOCKHOLDERS' EQUITY

On December 19, 2008, the Board of Directors authorized a stock repurchase program to acquire from time to time up to an aggregate of 500,000 shares of the Company's common stock. This program has no expiration date and may be terminated by the Board of Directors at any time. As of September 30, 2010, the Company had remaining authority under the 2008 program to repurchase up to an aggregate of 247,356 shares of its common stock. The 2008 program is the only program under which there is authority to repurchase shares of the Company's common stock. The Company has retired all stock repurchased.

NOTE 4 - EARNINGS PER SHARE

The following table represents the reconciliation of the numerators and denominators of the Company's basic earnings per share and diluted earnings per share computations reported on the Consolidated Statements of Operations for the three and nine months ended September 30, 2010 and 2009:

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Basic Earnings Per Share				
Net income numerator	$623,962	$617,680	$1,571,378	$2,330,990

Weighted average shares outstanding denominator	5,316,751	5,499,691	5,310,501	5,545,204
Basic Earnings Per Share	$0.12	$0.11	$0.30	$0.42
Diluted Earnings per Share				
Net income numerator	$623,962	$617,680	$1,571,378	$2,330,990
Weighted average shares outstanding	5,316,751	5,499,691	5,310,501	5,545,204
Effect of dilutive securities	35,820	42,176	40,473	39,507
Diluted shares outstanding denominator	5,352,571	5,541,867	5,350,974	5,584,711
Diluted Earnings Per Share	$0.12	$0.11	$0.29	$0.42

NOTE 5 - RECENTLY ISSUED ACCOUNTING STANDARDS

Accounting Guidance Adopted

In January 2010, the FASB issued a new standard related to fair value measurements and disclosures, which amends the earlier FASB standard to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and to separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. The new standard also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure the fair value. The Company adopted the new accounting standard which became effective for the interim reporting period ended March 31, 2010, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of the new standard did not have a material impact on the Company's consolidated financial statements.

Accounting Guidance Not Yet Adopted

In October 2010, the FASB issued ASU 2010-26, "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts" (ASC 944). The new standard modifies the types of policy acquisition costs that can be capitalized and are eligible for deferral. Specifically, the new guidance limits deferrable costs to those that are incremental direct costs of contract acquisition and certain costs related to acquisition activities performed by the insurer, such as underwriting, policy issuance and processing, inspection costs and broker commissions. The ASU defines incremental direct costs as those costs that result directly from and were essential to the contract acquisition and would not have been incurred absent the acquisition. Accordingly, under the new guidance, deferrable acquisition costs are limited to costs related to successful contract acquisitions. Acquisition costs that are not eligible for deferral are to be charged to expense in the period incurred. The new guidance is effective for interim periods and annual fiscal years beginning after December 15, 2011, and may be applied prospectively or retrospectively. The Company is currently in the process of evaluating the impact of the new standard on the Company's consolidated financial statements.

There have been no other accounting standards issued during 2010 that are expected to have a material impact on the Company's consolidated financial statements.

NOTE 6 - ACCOUNTING FOR INCOME TAXES

The Company and its wholly owned subsidiaries file consolidated federal and state income tax returns. Pursuant to the tax allocation agreement, two of the Company's subsidiaries, Crusader and American Acceptance Corporation are allocated taxes, or tax credits in the case of losses, at current corporate rates based on their own taxable income or loss. The Company is subject to examination by U.S. federal income tax authorities for years 2007 through 2009 and California state income tax authorities for years 2005 through 2009. There are no ongoing examinations of income tax returns by federal or state tax authorities.

ASC 740, "Income Taxes," which became effective January 1, 2007, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Since adoption of ASC 740 and as of September 30, 2010, the Company had no unrecognized tax benefits and no additional liabilities or reduction in deferred tax asset. In addition, the Company had not accrued interest and penalties related to unrecognized tax benefits. However, if interest and penalties would need to be accrued related to unrecognized tax benefits, such amounts would be recognized as a component of federal income tax expense.

The income tax expense reflected in the consolidated statements of operations is different than the expected expense as shown in the following table:

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Income tax expense incurred	$206,336	$281,273	$658,022	$1,111,600
Deferred income tax adjustment	(142,977)	-	(142,977)	-
Income tax expense per consolidated statements of operations	$63,359	$281,273	$515,045	$1,111,600

In the quarter ended September 30, 2010, the Company recorded an adjustment to its deferred income tax liability to correct an error in recording the decrease in the percentage of undistributed dividends of its insurance company subsidiary that is subject to California franchise tax. The effect of this adjustment reduced the Company's deferred tax liability and corresponding income tax expense by approximately $143,000 in the current quarter.

Had this adjustment to the percentage of undistributed earnings subject to California franchise tax been properly reflected in 2008, total stockholders' equity as of December 31, 2008, and net income for the year ended December 31, 2008, would have increased approximately $129,000. Had this adjustment to the percentage of undistributed earnings subject to California franchise tax been properly reflected in 2009, total stockholders' equity as of December 31, 2009, would have increased by approximately $143,000, and net income for the year ended December 31, 2009, would have increased approximately $14,000. The Company made an assessment of the materiality of this item on the Company's historical financial statements in accordance with SAB No. 99, "Materiality," and concluded that the error was immaterial to all periods.

NOTE 7 - SEGMENT REPORTING

ASC 280, "Segment Reporting," establishes standards for the way information about operating segments are reported in financial statements. The Company has identified its insurance company operation as its primary reporting segment. Revenues from this segment comprised 87% of consolidated revenues for the three and nine months ended September 30, 2010, compared to 87% of consolidated revenues for the three months and 86% for the nine months ended September 30, 2009, respectively. The Company's remaining operations constitute a variety of specialty insurance services, each with unique characteristics and individually insignificant to consolidated revenues.

Revenues, income before income taxes, and assets by segment are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Revenues				
Insurance company operation	$7,936,476	$8,938,588	$24,668,280	$27,188,648
Other insurance operations	3,378,259	3,813,224	10,596,238	12,551,420
Intersegment eliminations (1)	(2,225,921)	(2,447,400)	(6,890,856)	(8,193,985)
Total other insurance operations	1,152,338	1,365,824	3,705,382	4,357,435
Total revenues	$9,088,814	$10,304,412	$28,373,662	$31,546,083
Income Before Income Taxes				
Insurance company operation	$1,516,934	$1,762,019	$4,311,570	$5,698,085
Other insurance operations	(829,613)	(863,066)	(2,225,147)	(2,255,495)
Total income before income taxes	$687,321	$898,953	$2,086,423	$3,442,590

	As of September 30	As of December 31
	2010	2009
Assets		

Insurance company operation	$141,121,505	$157,271,019
Intersegment eliminations (2)	(2,087,565)	(824,887)
Total insurance company operation	139,033,940	156,446,132
Other insurance operations	24,173,080	13,662,520
Total Assets	$163,207,020	$170,108,652

(1) Intersegment revenue eliminations reflect commission paid by Crusader to Unifax Insurance Systems, Inc., (Unifax) a wholly owned subsidiary of the Company.

(2) Intersegment asset eliminations reflect the elimination of Crusader receivables and Unifax payables.

NOTE 8 – FAIR VALUE ON INVESTMENTS

The estimated carrying values and fair values of the Company's consolidated financial instruments as of September 30, 2010 and December 31, 2009 were as follows.

	September 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Investments (*)	$123,269,534	$123,269,534	$132,595,483	$132,595,483

* This table excludes short-term investments which are carried at amortized cost in the consolidated balance sheets and approximate their fair values given the short-term nature of these instruments.

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Financial assets and financial liabilities are recorded on the consolidated balance sheets at fair value and are categorized based on the reliability of inputs to the valuation techniques as follows:

Level 1 – Financial assets and financial liabilities whose values are based on unadjusted quoted prices in active markets for identical assets.

Level 2 – Financial assets and financial liabilities whose values are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; or valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the financial assets and financial liabilities.

The hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The estimated carrying values of the Company's financial instruments as of September 30, 2010 and December 31, 2009 allocated among the three levels mentioned above were as follows:

	Level 1	Level 2	Level 3	Total
September 30, 2010				
Available for sale:				
Fixed maturities				
U.S. treasury securities	$92,620,016	$-	$-	$92,620,016
Certificates of deposit	-	26,617,998	-	26,617,998

Industrial and miscellaneous taxable bonds	4,031,520	-	-	4,031,520
Total fixed maturities	$96,651,536	$26,617,998	$-	$123,269,534
December 31, 2009				
Available for sale:				
Fixed maturities				
U.S. treasury securities	$107,419,266	$-	$-	$107,419,266
Certificates of deposit		21,034,997	-	21,034,997
Industrial and miscellaneous taxable bonds	4,141,220	-	-	4,141,220
Total fixed maturities	$111,560,486	$21,034,997	$-	$132,595,483

The Company's fixed maturity investments, excluding long-term certificates of deposit, are all classified within Level 1 of the fair value hierarchy because they are valued using unadjusted quoted market prices, broker or dealer quotations, or alternative pricing sources in active markets for identical assets with reasonable levels of price transparency. Long-term certificates of deposit are classified within Level 2. Fair value measurements are not adjusted for transaction costs.

The Company's fair value measurements are based on a combination of the market approach and the income approach. The market approach utilizes market transaction data for the same or similar instruments. The income approach is based on a discounted cash flow methodology, where expected cash flows are discounted to present value.

All of the Company's fixed maturity investments are classified as available-for-sale and are stated at fair value. Although all of the Company's investments are classified as available-for-sale and the Company may sell investment securities from time to time in response to economic and market conditions, its investment guidelines place primary emphasis on buying and holding high-quality investments to maturity. Short-term investments are carried at cost, which approximates fair value. The unrealized gains or losses from fixed maturities are reported as "accumulated other comprehensive income," which is a separate component of stockholders' equity, net of any deferred tax effect. For fixed maturity investments that the Company does not intend to sell or for which it is more likely than not that the Company would not be required to sell before an anticipated recovery in value, the Company separates the credit loss component of the impairment, if any, from the amount related to all other factors and reports the credit loss component in net realized investment gains (losses). There was no credit loss component for any of the periods presented in the accompanying Consolidated Statements of Operations. The impairment related to all other factors is reported in "accumulated other comprehensive income." Realized gains and losses, if any, are included in the Consolidated Statements of Operations based on the specific identification method.

The Company had unrealized investment gains, net of deferred taxes of $2,717,308 as of September 30, 2010, and unrealized investment gains, net of deferred taxes of $2,742,160 as of December 31, 2009.

NOTE 9 - INVESTMENTS

The amortized cost and estimated fair values of investments in fixed maturities by category are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
September 30, 2010				
Available for sale:				
Fixed maturities				
U.S. treasury securities	$88,524,812	$4,095,413	$(209)	$92,620,016
Certificates of deposit	26,617,998	-	-	26,617,998
Industrial and miscellaneous taxable bonds	4,009,591	21,929	-	4,031,520
Total fixed maturities	$119,152,401	$4,117,342	$(209)	$123,269,534
December 31, 2009				
Available for sale:				
Fixed maturities				
U.S. treasury securities	$103,361,652	$4,057,614	-	$107,419,266
Certificates of deposit	21,034,997	-	-	21,034,997
Industrial and miscellaneous taxable bonds	4,044,046	97,174	-	4,141,220
Total fixed maturities	$128,440,695	$4,154,788	-	$132,595,483

A summary of the unrealized appreciation (depreciation) on investments carried at fair value and the applicable deferred federal income taxes are shown below:

September 30	December 31
2010	2009