SEIBELS BRUCE GROUP INC

FORM 10-Q
(Quarterly Report)

Filed 11/14/03 for the Period Ending 09/30/03

Address	1501 LADY ST
	P O BOX 1
	COLUMBIA, SC, 29201
Telephone	8037482000
CIK	0000276380
Symbol	SBBG
SIC Code	6331 - Fire, Marine and Casualty Insurance
Industry	Property & Casualty Insurance
Sector	Financials
Fiscal Year	12/31

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Address	1501 LADY ST P O BOX 1
	COLUMBIA, South Carolina 29201
Telephone	803-748-2000
CIK	0000276380
Industry	Insurance (Prop. & Casualty)
Sector	Financial
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For Quarter Ended September 30, 2003

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 0-8804

THE SEIBELS BRUCE GROUP, INC.

(Exact name of registrant as specified in its charter)

South Carolina (State or other jurisdiction of incorporation or organization)	**57-0672136** (I.R.S. Employer Identification No.)
1501 Lady Street (PO Box 1), Columbia, SC (Address of principal executive offices)	**29201(2)** (Zip Code)

Registrant's telephone number, including area code **(803) 748-2000**

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 ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer as defined in Rule 12b-2 of the Exchange Act. Yes ☐ No ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: 7,816,044 shares of Common Stock, $1 par value, at November 14, 2003.

PART I–FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
THE SEIBELS BRUCE GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars shown in thousands, except per share amounts)

	(Unaudited) September 30, 2003	December 31, 2002
ASSETS		
Cash and investments:		
Debt securities, available-for-sale, at fair value (cost of $36,220 in 2003 and $35,883 in 2002)	$ 37,445	$ 37,555
Equity securities	1,827	1,661
Cash and short-term investments	8,711	10,423
Total cash and investments	47,983	49,639
Accrued investment income	481	713
Premiums and agents' balances receivable, net of allowance for doubtful accounts of $1,888 in 2003 and $2,681 in 2002	4,743	3,492
Reinsurance recoverable on paid losses and loss adjustment expenses	6,739	7,289
Reinsurance recoverable on unpaid losses and loss adjustment expenses	28,078	30,786
Property and equipment, net	699	993
Prepaid reinsurance premiums-ceded business	8,844	30,224
Deferred policy acquisition costs	1,490	1,168
Receivable for debt securities sold but not settled	—	1,506
Goodwill	3,813	4,513
Other assets	2,087	3,351
Total assets	$ 104,957	$ 133,674
LIABILITIES		
Losses and loss adjustment expenses:		
Reported and estimated losses and claims – retained business	$ 19,260	$ 18,857
– ceded business	27,417	29,717
Adjustment expenses – retained business	3,849	4,067
– ceded business	661	1,069
Unearned premiums – retained business	6,918	6,134
– ceded business	8,844	30,224
Balances due other insurance companies	1,449	3,158
Other liabilities and deferred items	5,474	9,224
Total liabilities	73,872	102,450
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Adjustable Rate Cumulative Nonvoting Preferred Special Stock, no par value, authorized 5,000,000 shares, issued and outstanding 800,000 shares	8,000	8,000
Common stock, $1 par value, authorized 17,500,000 shares, issued and outstanding 7,816,044 shares in 2003 and 7,831,690 shares in 2002	7,816	7,832
Additional paid-in-capital	61,964	61,989
Accumulated other comprehensive income	1,241	1,691
Accumulated deficit	(47,936)	(48,288)
Total shareholders' equity	31,085	31,224
Total liabilities and shareholders' equity	$ 104,957	$ 133,674

THE SEIBELS BRUCE GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts shown in thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues:				
Commission and service income	$ 3,332	$ 9,568	$ 11,701	$ 26,490
Property and casualty premiums earned	3,791	13,682	11,443	20,726
Net investment income	398	569	1,347	1,700
Net realized gain	7	13	105	2,480
Gain on sale of NFIP renewal rights	1,050	—	3,149	—
Equity in (loss) earnings of unconsolidated affiliates	(17)	(202)	167	(205)
Other income	360	510	1,221	1,572
Total revenues	8,921	24,140	29,133	52,763
Expenses:				
Losses and loss adjustment expenses	4,248	10,978	9,137	15,164
Policy acquisition costs	2,245	7,189	7,307	18,600
Other operating costs and expenses	3,952	4,234	12,037	13,711
Total expenses	10,445	22,401	28,481	47,475
(Loss) income from operations, before provision for income taxes	(1,524)	1,739	652	5,288
(Provision) benefit for income taxes	(15)	30	(15)	30
Net (loss) income	(1,539)	1,769	637	5,318
Other comprehensive income:				
Change in value of marketable securities, less reclassification adjustments of $6 and $13 for gains included in net income (loss) for the three months ended September 30, 2003 and 2002, respectively, and $103 and $69 for gains included in net income for the nine months ended September 30, 2003 and 2002, respectively	(421)	744	(450)	776
Comprehensive net (loss) income	$ (1,960)	$ 2,513	$ 187	$ 6,094
Basic (loss) earnings per share	$ (0.21)	$ 0.21	$ 0.04	$ 0.64
Weighted average shares outstanding	7,817	7,832	7,825	7,832
Diluted (loss) earnings per share	$ (0.21)	$ 0.21	$ 0.04	$ 0.62
Weighted average shares outstanding	7,817	8,028	7,854	8,164

THE SEIBELS BRUCE GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30,
(Amounts shown in thousands)
(Unaudited)

	2003	2002
Cash flows from operating activities:		
Net income	$ 637	$ 5,318
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Impairment of goodwill	700	—
Equity in (income) loss of unconsolidated subsidiaries	(167)	205
Amortization of deferred policy acquisition costs	7,307	18,600
Depreciation and amortization	626	391
Realized gain on settlement of life insurance policy	—	(294)
Realized gain on sale of previously nonmarketable equity security	—	(2,117)
Realized gain on sale of investments, net	(103)	(69)
Realized gain on sale of property and equipment, net	(2)	—
Change in assets and liabilities:		
Accrued investment income	232	167
Premiums and agents' balances receivable	(1,251)	(879)
Premium notes receivable	—	3,640
Reinsurance recoverable on losses and loss adjustment expenses	3,258	6,966
Prepaid reinsurance premiums-ceded business	21,380	1,548
Deferred policy acquisition costs	(7,629)	(18,925)
Unpaid losses and loss adjustment expenses	(2,523)	(1,852)
Unearned premiums	(20,596)	(432)
Balances due other insurance companies	(1,709)	2,260
Other, net	(2,486)	(9,706)
Net cash (used in) provided by operating activities	(2,326)	4,821
Cash flows from investing activities:		
Proceeds from investments sold or matured	14,028	10,503
Cost of investments acquired	(12,835)	(12,849)
Proceeds from property and equipment sold	—	—
Purchases of property and equipment	(253)	(655)
Net cash provided by (used in) investing activities	940	(3,001)
Cash flows from financing activities:		
Repurchase of common stock	(41)	—
Issuance of Adjustable Rate Cumulative Nonvoting Preferred Special Stock	—	8,000
Redemption of Special Stock	—	(2,590)
Repayment of debt	—	(7,721)
Dividends paid	(285)	(323)
Net cash used in financing activities	(326)	(2,634)
Net decrease in cash and short-term investments	(1,712)	(814)
Cash and short-term investments, January 1	10,423	6,375
Cash and short-term investments, September 30	$ 8,711	$ 5,561
Supplemental cash flow information:		
Interest paid	$ 9	$ 164
Income taxes paid (recovered)	15	(30)

(Dollars shown in thousands except per share amounts)

NOTE 1. GENERAL

Basis of Presentation

The accompanying consolidated financial statements include the accounts of The Seibels Bruce Group, Inc. (the Company) and its wholly-owned subsidiaries and have been prepared, without audit, in conformity with accounting principles generally accepted in the United States (GAAP) pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). All significant intercompany balances and transactions have been eliminated in consolidation and, in the opinion of management, all adjustments necessary for the fair presentation of the Company's unaudited interim financial position, results of operations and cash flows have been recorded. All of these adjustments are of a normal and recurring nature. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 filed with the SEC. The results of operations for the interim period are not necessarily indicative of the results for a full year. Certain prior year balances have been reclassified to conform to the current year presentation.

Order Imposing Administrative Supervision

On August 21, 2002, the South Carolina Department of Insurance (the SCDOI) issued an Order Imposing Administrative Supervision and Appointing Supervisor (the Order) that placed the Company's South Carolina domiciled insurance subsidiaries under administrative supervision as a result of disputes associated with the workers' compensation program of two of those insurance subsidiaries. The Order was lifted by the SCDOI on May 20, 2003.

Stock-Based Compensation

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standard (SFAS) No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for its three stock option plans. Had compensation costs for the Company's stock option plans been determined based on the fair value at the grant date for awards made during the nine months ended September 30, 2003 consistent with the provisions of SFAS No. 123, the Company's net income and income per share for that period would have been as follows:

	As Reported	Pro forma
Net income	$ 637	$ 622
Income per share:		
Basic	0.04	0.04
Diluted	0.04	0.04

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	1996 Stock Option Plan for Employees	1995 Stock Option Plan for Independent Agents	1995 Stock Option Plan for Non-Employee Directors
Expected dividend yield	0%	—	0%
Expected stock price volatility	7.8%	—	7.8%
Risk-free interest rate	3.22%	—	2.94%
Expected life of options	10.00 years	—	8.13 years

Impairment of Goodwill

At December 31, 2002, the Company had a total of $4,513 in recorded goodwill related to its 1997 acquisition of The Innovative Company and its 1998 acquisition of Americas Flood Services, Inc. In accordance with the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets", the Company is required to perform annual tests of impairment on its goodwill, or more frequently if there are material changes in the Company's operations or environment. During the third quarter of 2003, the Company recorded a goodwill impairment charge of $700 related to its 1997 purchase of The Innovative Company as a result of a trend of decreased premium volume that led to lower than expected revenues, cash flows and net income through September 30, 2003. In determining the impairment charge to be recorded, the fair value of the associated reporting unit was estimated using a combination of prices of comparable businesses and present value techniques. The impairment charge is included as a component of the other operating costs and expenses of the automobile segment.

Recent Accounting Pronouncements

The Financial Accounting Standards Board has recently issued accounting standards that are currently not applicable to the Company and, therefore, would have no impact on its financial condition or results of operations.

NOTE 2. INVESTMENTS

The amortized cost and estimated fair values of investments in debt securities were as follows:

September 30, 2003	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government, government agencies and authorities	$ 13,954	$ 421	$ (34)	$ 14,341
States, municipalities and political subdivisions	200	11	—	211
Corporate bonds	22,066	872	(45)	22,893
Total	$ 36,220	$ 1,304	$ (79)	$ 37,445

December 31, 2002	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government, government agencies and authorities	$ 14,586	$ 609	$ —	$ 15,195
States, municipalities and political subdivisions	375	15	—	390
Corporate bonds	20,922	1,062	(14)	21,970
Total	$ 35,883	$ 1,686	$ (14)	$ 37,555

Excluding investments in the U.S. Government, government agencies and authorities, there were no investments at September 30, 2003 or December 31, 2002 that exceeded 10% of shareholders' equity. Debt securities with an amortized cost of $17,155 at September 30, 2003 and $17,112 at December 31, 2002 were on deposit with regulatory authorities.

NOTE 3. DEFERRED POLICY ACQUISITION COSTS

Policy acquisition costs incurred and amortized to income on property and casualty business for the nine months ended September 30, 2003 and 2002 were as follows:

	2003	2002
Deferred at the beginning of the period	$ 1,168	$ 1,200
Costs incurred and deferred during year:		
Commissions and brokerage	4,860	12,829
Taxes, licenses and fees	1,255	3,503
Other	1,514	2,593
Total	7,629	18,925
Amortization charged to income during the period	(7,307)	(18,600)
Deferred at the end of the period	$ 1,490	$ 1,525

NOTE 4. PROPERTY AND CASUALTY UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Activity in the liability for unpaid losses and loss adjustment expenses (LAE) for the nine months ended September 30, 2003 and 2002 is summarized as follows:

	2003	2002
Liability for losses and LAE at the beginning of the period:		
Gross liability per balance sheet	$ 53,710	$ 66,875
Ceded reinsurance recoverable, classified as an asset	(30,786)	(40,832)
Net liability	22,924	26,043
Provision for losses and LAE for claims occurring in the current year	6,585	14,871
Increase in estimated losses and LAE for claims occurring in prior years	2,552	293
	9,137	15,164
Loss and LAE payments for claims occurring during:		
Current year	3,722	3,914
Prior years	5,230	6,261
	8,952	10,175
Liability for losses and LAE at the end of the period:		
Net liability	23,109	31,032
Ceded reinsurance recoverable, classified as an asset	28,078	33,991
Gross liability per balance sheet	$ 51,187	$ 65,023

NOTE 5. EARNINGS PER SHARE

The following table shows the computation of earnings per share:

	Income (Numerator)	(000's) Shares (Denominator)	Per Share Amount
For the nine months ended September 30, 2003:			
Net income	$ 637		
Less: Preferred stock dividends	(285)		
Basic earnings per share	352	7,825	$ 0.04
Effect of dilutive stock options and warrants	—	29	
Diluted earnings per share	$ 352	7,854	$ 0.04
For the nine months ended September 30, 2002:			
Net income	$ 5,318		
Less: Preferred stock dividends	(323)		
Basic earnings per share	4,995	7,832	$ 0.64
Effect of dilutive securities:			
Convertible preferred stock	101	270	
Stock options and warrants	—	62	
Diluted earnings per share	$ 5,096	8,164	$ 0.62
For the three months ended September 30, 2003:			
Net loss	$ (1,539)		
Less: Preferred stock dividends	(93)		
Basic earnings per share	(1,632)	7,817	$ (0.21)
Effect of dilutive stock options and warrants	—	—	
Diluted earnings per share	$ (1,632)	7,817	$ (0.21)
For the three months ended September 30, 2002:			
Net income	$ 1,769		
Less: Preferred stock dividends	(128)		
Basic earnings per share	1,641	7,832	$ 0.21
Effect of dilutive securities:			
Convertible preferred stock	20	162	
Stock options and warrants	—	34	
Diluted earnings per share	$ 1,661	8,028	$ 0.21

Options and warrants to purchase shares of common stock that were outstanding during the period but not included in the computation of diluted earnings per share because their effect would be antidilutive are summarized as follows:

	Shares Excluded	Exercise Price: Low	Exercise Price: High
For the Nine Months Ended September 30:			
2003	434,971	$ 1.80	$ 10.50
2002	563,943	1.81	10.50
For the Three Months Ended September 30:			
2003	398,296	$ 2.00	$ 10.50
2002	654,256	1.81	10.50

On April 14, 2003, the Company announced a stock tender program allowing shareholders owning fewer than 100 shares of its stock to sell their shares to the Company for $2.50 per share. The program terminated on July 31, 2003 and a total of approximately 16,000 shares were tendered to the Company.

NOTE 6. SEGMENT REPORTING

Reportable segments are determined based on management's internal reporting approach, which is based on product line and complementary coverages. The reportable segments are comprised of Automobile, Flood, Commercial, Adjusting Services and All Other. While the majority of revenues and expenses are captured directly by each reportable segment, the Company does have shared income and expenses. Shared income comprised approximately 12% and 67% of "all other income" for the nine months ended September 30, 2003 and 2002, respectively, and approximately 9% and 48% of "all other income" for the three months ended September 30, 2003 and 2002, respectively. The gain on the sale of the Company's investment in Insurance Services Offices, Inc. (ISO) accounted for 54% of shared "all other income" for the nine months ended September 30, 2002. Shared expenses comprised approximately 1% and 4% of "all other expenses" for the nine months ended September 30, 2003 and 2002, respectively, and approximately 1%, and 2% of "all other expenses" for the three months ended September 30, 2003 and 2002, respectively. These shared amounts were allocated on a basis proportionate with each reportable segment's total net loss and LAE and unearned premium reserves. The results of the reportable segments are included in the following tables:

	For the nine months ended September 30, 2003					
	Automobile	Flood	Commercial	Adjusting Services	All Other	Total
Revenues:						
Commission and service income	$ 4,252	$ 2,525	$ 199	$ 4,525	$ 200	$ 11,701
Property and casualty premiums earned	5,180	—	6,251	—	12	11,443
Gain on sale of NFIP renewal rights	—	3,149	—	—	—	3,149
All other income	817	7	686	417	913	2,840
Total revenues	10,249	5,681	7,136	4,942	1,125	29,133
Expenses:						
Losses and LAE	2,765	—	3,760	—	2,612	9,137
All other expenses	7,718	1,836	4,444	4,204	1,142	19,344
Total expenses	10,483	1,836	8,204	4,204	3,754	28,481
(Loss) income from operations before benefit (provision) for income taxes	(234)	3,845	(1,068)	738	(2,629)	652
Benefit (provision) for income taxes	5	(88)	25	(17)	60	(15)
Net (loss) income	$ (229)	$ 3,757	$ (1,043)	$ 721	$ (2,569)	$ 637

	For the nine months ended September 30, 2002					
	Automobile	Flood	Commercial	Adjusting Services	All Other	Total
Revenues:						
Commission and service income	$ 5,514	$ 14,335	$ 456	$ 5,463	$ 722	$ 26,490
Property and casualty premiums earned	4,175	—	6,969	—	9,582	20,726
Gain on sale of NFIP renewal rights	—	—	—	—	—	—
All other income	2,208	54	1,159	770	1,356	5,547
Total revenues	11,897	14,389	8,584	6,233	11,660	52,763
Expenses:						
Losses and LAE	2,442	—	3,867	—	8,855	15,164
All other expenses	8,132	13,124	3,671	5,238	2,146	32,311
Total expenses	10,574	13,124	7,538	5,238	11,001	47,475
Income from operations before provision for income taxes	1,323	1,265	1,046	995	659	5,288
Benefit for income taxes	7	7	6	6	4	30
Net income	$ 1,330	$ 1,272	$ 1,052	$ 1,001	$ 663	$ 5,318

	For the three months ended September 30, 2003					
	Automobile	Flood	Commercial	Adjusting Services	All Other	Total
Revenues:						
Commission and service income	$ 1,301	$ 602	$ 80	$ 1,355	$ (6)	$ 3,332
Premiums earned	1,833	—	1,960	—	(2)	3,791
Gain on sale of NFIP renewal rights	—	1,050	—	—	—	1,050
All other income	248	—	191	66	243	748
Total revenues	3,382	1,652	2,231	1,421	235	8,921
Expenses:						
Losses and loss adjustment expenses	684	—	1,769	—	1,795	4,248
All other expenses	2,685	560	1,463	1,160	329	6,197
Total expenses	3,369	560	3,232	1,160	2,124	10,445
Income (loss) from operations before (provision) benefit for income taxes	13	1,092	(1,001)	261	(1,889)	(1,524)
(Provision) benefit for income taxes	5	(88)	25	(17)	60	(15)
Net income (loss)	$ 18	$ 1,004	$ (976)	$ 244	$ (1,829)	$ (1,539)

	For the three months ended September 30, 2002					
	Automobile	Flood	Commercial	Adjusting Services	All Other	Total
Revenues:						
Commission and service income	$ 1,581	$ 5,260	$ 128	$ 1,872	$ 727	$ 9,568
Premiums earned	1,771	—	2,337	—	9,574	13,682
Gain on sale of NFIP renewal rights	—	—	—	—	—	—
All other income	252	32	102	203	301	890
Total revenues	3,604	5,292	2,567	2,075	10,602	24,140
Expenses:						
Losses and loss adjustment expenses	1,003	—	1,400	—	8,575	10,978
All other expenses	2,483	4,649	1,055	1,605	1,631	11,423
Total expenses	3,486	4,649	2,455	1,605	10,206	22,401
Income from operations before provision for income taxes	118	643	112	470	396	1,739
Benefit for income taxes	7	7	6	6	4	30
Net income	$ 125	$ 650	$ 118	$ 476	$ 400	$ 1,769

NOTE 7. SUBSEQUENT EVENTS

On November 6, 2003, the Company entered into a non-binding Letter of Intent with an unaffiliated third party for a proposed sale of one of its subsidiaries, South Carolina Insurance Company (SCIC), for a purchase price of the lesser of (i) $2,500; or (ii) the sum of 40% of SCIC’s statutory capital and surplus, calculated at the date of closing, plus $1,000. The statutory capital and surplus and GAAP equity of SCIC was approximately $3,816 and $4,441, respectively, at September 30, 2003. Any transaction resulting from this Letter of Intent is subject to, among other things, the satisfactory completion of due diligence by both parties and the approval of the SCDOI.

On November 12, 2003, the Company entered into a non-binding Letter of Intent with an unaffiliated third party for a proposed sale of one of SCIC’s subsidiaries, Consolidated American Insurance Company (CAIC), for a purchase price of the sum of 100% of CAIC’s statutory capital and surplus, calculated at the date of closing, plus $750. The statutory capital and surplus and GAAP equity of CAIC was approximately $3,883 and $3,977, respectively, at September 30, 2003. Any transaction resulting from this Letter of Intent is subject to, among other things, the satisfactory completion of due diligence by both parties and the approval of the SCDOI.

At approximately the same time it files its quarterly report on Form 10-Q for the quarter ended September 30, 2003, the Company plans to file a preliminary proxy statement with the SEC relating to a special meeting of shareholders to vote on a proposed amendment to the Company’s Articles of Incorporation to effect a reverse stock split of the Company’s common stock. If approved by the shareholders, this reverse stock split will enable the Company to terminate the registration of its common stock under Section 12(g) of the Securities Exchange Act of 1934 and thus terminate its obligations to file annual and periodic reports and make other filings with the SEC.

PART I. - FINANCIAL INFORMATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.
(Dollars shown in thousands except per share amounts)

FORWARD LOOKING STATEMENTS

Some of the statements discussed or incorporated by reference in this quarterly report on Form 10-Q are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding management's current knowledge, expectations, estimates, beliefs and assumptions. All forward-looking statements included in this document or incorporated by reference are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements. Results may differ materially because of both known and unknown risks and uncertainties which the Company faces. Factors which could cause results to differ materially from our forward-looking statements include, but are not limited to:

- the possibility that the Company will be unable to meet its cash flow requirements; the Company has periodically incurred net operating losses and/or negative cash flows from operations and the Company may experience these trends in the future;
- the costs of defending pending litigation and the risk of material adverse outcomes of pending and potential litigation involving the Company;
- the impact of exiting the National Flood Insurance Program;
- the ability to satisfy dividend obligations related to the Company's Adjustable Rate Cumulative Nonvoting Preferred Special Stock;
- the ability to secure additional sources of revenue;
- the ability to secure and maintain long-term relationships with customers and agents;
- the effects of economic conditions and conditions which affect the market for property and casualty insurance, including, but not limited to, interest rate fluctuations and flood zone determination services;
- the effects and impact of laws, rules and regulations which apply to insurance companies;
- the effects if estimated reserves for losses and LAE established by the Company are deficient, including reserves associated with the Company's runoff lines of business;
- geographic concentrations of loss exposure, causing revenues and profitability to be subject to prevailing regulatory, demographic and other conditions in the areas in which the Company operates;
- the availability of reinsurance and the ability of the Company's reinsurance arrangements to balance the geographical concentrations of the Company's risks;
- the impact of competition from new and existing competitors, many of which have superior financial and marketing resources than the Company;
- the continuing impact of the decisions to exit the Nashville, Tennessee and South Carolina nonstandard automobile operations;
- the risk that current initiatives may not be successful;
- restrictions on the Company's ability to declare and pay dividends;
- the fact that the Company has experienced, and can be expected in the future to experience, storm and weather-related losses, which may result in a material adverse effect on the Company's results of operations, financial condition and cash flows;
- the uncertainty associated with estimating loss reserves, and the adequacy of such reserves, capital resources and other financial items;
- the risk of loss of one or more key servicing contracts and the related risk that the contracts could not be replaced;

- control of the Company by a principal shareholder that has the ability to exert significant influence over the policies and affairs of the Company;

- risks the Company faces in diversifying the services it offers and entering new markets, including risks associated with the Company's development and deployment of new management information systems to develop and deploy new strategies; and

- other risk factors listed from time to time in the Company's Securities and Exchange Commission filings.

Accordingly, there can be no assurance that the actual results will conform to the forward-looking statements discussed or incorporated by reference in this quarterly report on Form 10-Q.

The unaudited consolidated financial statements and notes thereto should be read in conjunction with the following discussion as they contain important information for evaluation of the Company's financial condition and operating results.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. In its Form 10-K for the year ended December 31, 2002, management identified a number of accounting policies as critical in understanding and evaluating the Company's reported financial results.

OVERVIEW

The Company conducts its business in two primary categories, fee-based property and casualty insurance operations and risk-bearing property and casualty insurance operations, and reports its operations through five distinct business segments. Following is a summary of the Company's reporting segments with indications of whether the included lines of business are risk-bearing or fee-based operations, whether the included lines of business are ongoing operations or in runoff, and the included lines of business' total revenues for the three and nine months ended September 30, 2003 and 2002:

Segment	Operation: Description	Type	Status	Total Revenues for the Three Months Ended September 30, 2003	2002	Total Revenues for the Nine Months Ended September 30, 2003	2002
Automobile:	North Carolina nonstandard automobile	Both	Ongoing	$ 3,123	$ 3,506	$ 9,297	$ 8,903
	South Carolina nonowners automobile	Risk-bearing	Ongoing	164	211	482	630
	South Carolina nonstandard automobile	Risk-bearing	Ongoing	14	—	15	—
	Nashville and South Carolina nonstandard automobile	Risk-bearing	Runoff	35	(256)	210	1,245
	South Carolina Reinsurance Facility and surviving SCAAIP	Fee-based	Runoff	48	211	249	1,077
	Premium financing	Fee-based	Runoff	(2)	(68)	(4)	42
				$ 3,382	$ 3,604	$ 10,249	$ 11,897
Flood:	Operations of America's Flood Services, Inc. (AFS)	Fee-based	Ongoing	$ 631	$ 729	$ 1,934	$ 1,901
	National Flood Insurance Program	Fee-based	Runoff	1,021	4,563	3,747	12,488
				$ 1,652	$ 5,292	$ 5,681	$ 14,389
Commercial:	Commercial operations	Risk-bearing	Ongoing	$ 2,231	$ 2,567	$ 7,136	$ 8,584
Adjusting Services:	Operations of Insurance Network Services, Inc. (INS)	Fee-based	Ongoing	$ 1,421	$ 2,075	$ 4,942	$ 6,233
All Other:	Human Dynamics Corporation workers' compensation program	Risk-bearing	Runoff	$ —	$ 9,582	$ —	$ 9,582
	Managing general agent operations	Fee-based	Runoff	(6)	727	212	727
	All other	Risk-bearing	Runoff	241	293	913	1,351
				$ 235	$ 10,602	$ 1,125	$ 11,660
				$ 8,921	$ 24,140	$ 29,133	$ 52,763

The Company's net (loss) income by business segment for the three and nine months ended September 30, 2003 and 2002 is as follows:

	For the three months ended September 30: 2003	2002	For the nine months ended September 30: 2003	2002
Automobile	$ 18	$ 125	$ (229)	$ 1,330
Flood	1,004	650	3,757	1,272
Commercial	(976)	118	(1,043)	1,052
Adjusting services	244	476	721	1,001
All other	(1,829)	400	(2,569)	663
Net (loss) income	$ (1,539)	$ 1,769	$ 637	$ 5,318
Basic (loss) earnings per share	$ (0.21)	$ 0.21	$ 0.04	$ 0.64
Diluted (loss) earnings per share	(0.21)	0.21	0.04	0.62

RESULTS OF OPERATIONS

Nine months ended September 30, 2003 and 2002

Commission and Service Income

Total commission and service income decreased $14,789, or 55.8%, for the nine months ended September 30, 2003 as compared to the same period of 2002. The automobile segment accounted for $1,262 of the overall net decrease, primarily as a result of the continuing runoff of the South Carolina Reinsurance Facility (SC Facility) and the South Carolina Associated Auto Insurers Plan (SCAAIP). Commission and service income earned through the SC Facility and the SCAAIP amounted to only $239 for the nine months ended September 30, 2003 as compared to $986 for the same period of 2002. The North Carolina nonstandard automobile line of business (NC Auto) accounted for the remaining $515 decrease in commission and service income of the automobile segment as a result of a decrease in premiums written and ceded to the North Carolina Reinsurance Facility (NC Facility). Premiums written and ceded to the NC Facility for the nine months ended September 30, 2003 amounted to $14,999 as compared to $16,457 for the same period of 2002. The Company believes that the decrease is largely attributable to increased competition and “suspension of coverage” requests received from members of the United States armed forces stationed in North Carolina as they deployed for military operations in the Middle East.

The flood segment reported a decrease in commission and service income of $11,810 for the nine months ended September 30, 2003 as compared to the same period of 2002. Effective November 15, 2002, The Hartford Financial Services Group, Inc. (The Hartford) acquired the right to renew or assume all of the Company’s in-force flood business written through the National Flood Insurance Program (NFIP). The underlying sales agreement, as approved by the Federal Emergency Management Administration, provided for The Hartford to administer and report the Company’s business to the NFIP over the transition period that ended September 30, 2003. As a result of this transaction, premiums written through the NFIP and the related commission and service income decreased $37,115 and $11,940, respectively, for the nine months ended September 30, 2003 as compared to the same period of 2002. Furthermore, in June 2003 and March 2002 the Company received marketing bonuses from the NFIP of $699 and $615, respectively, as a result of previous premium growth and retention of its NFIP book of business. The Company will not receive any marketing bonuses or other material commission and service income from the NFIP in the future. Therefore, the only continuing source of commission and service income for the flood segment is the Company’s subsidiary, AFS, which offers flood zone determinations and flood zone mapping services to customers located throughout the United States.

The commercial segment reported a decrease in commission and service income of $257 for the nine months ended September 30, 2003 as compared to the same period of 2002. The decrease is primarily attributable to NC Facility business lost while the Company’s South Carolina domiciled insurance subsidiaries were under administrative supervision of the South Carolina Department of Insurance (SCDOI) between August 21, 2002 and May 20, 2003.

The adjusting services segment reported a decrease in commission and service income of $938 for the nine months ended September 30, 2003 as compared to the same period of 2002. In the fourth quarter of 2002, the Company undertook a profitability and viability analysis of each of INS’ service lines. As a result, INS has discontinued certain of its service lines and eliminated the related expenses. INS’ continuing operations are now substantially comprised of performance under its Claims Administration Services Agreement with QualSure Insurance Corporation, which produced commission and service income of $4,159 for the nine months ended September 30, 2003 as compared to $3,340 for the same period of 2002.

The remaining decrease of $522 in commission and service income for the nine months ended September 30, 2003 as compared to the same period of 2002 is attributable to the all other segment. Effective July 1, 2002, one of the Company’s subsidiaries, Seibels, Bruce & Company (SBC), entered into an agreement with a Florida domiciled insurance company to serve as managing general agent for that company’s low-value dwelling homeowners’ insurance program in the state of Florida until such time as that program was runoff or rolled to the insurance operations of another carrier beginning in the first quarter of 2003. Commission and service income associated with this arrangement amounted to $200 for the nine months ended September 30, 2003 as compared to $722 for the same period of 2002.

Premiums Earned

Net premiums earned decreased $9,283, or 44.8%, for the nine months ended September 30, 2003 as compared to the same period of

2002. The all other segment accounted for $9,570 of the decrease, primarily as a result of the accounting and reporting of the HDC workers' compensation program. The program was originally intended to be a fronted program, administered by HDC with minimal underwriting risk to the Company due to the anticipated placement of multiple layers of reinsurance coverage. The Company did not obtain the approval of the SCDOI prior to issuing the master policies and subsequently canceled them during the first quarter of 2002. The cancellation of these policies is the subject of ongoing litigation and mediation. On July 9, 2002, an Arizona Superior Court Judge ruled that the policies were in effect from January 1, 2002 through December 31, 2002. The Company did not receive sufficient information to enable the recording of estimated premiums earned under this fronting program until the third quarter of 2002, at which time it recorded premiums earned of $9,563 representing estimated premiums earned from January 1 through September 30, 2002. There were no premiums earned under the HDC workers' compensation program during 2003.

The commercial segment reported a decrease in premiums earned of $718 for the nine months ended September 30, 2003 as compared to the same period of 2002. The decrease is primarily attributable to business lost while the Company's South Carolina domiciled insurance subsidiaries were under administrative supervision of the SCDOI between August 21, 2002 and May 20, 2003. While the administrative supervision initially prohibited these insurance subsidiaries from writing new or renewal risk-bearing business, the Company has gradually been able to restore the pre-administrative supervision writing authority of its commercial lines operations.

The automobile segment accounted for an increase of $1,005 in premiums earned, mostly as a result of increases reported by NC Auto. From December 31, 1999 until July 1, 2002, the retained-risk NC Auto business was subject to a 75% quota share reinsurance agreement. Effective July 1, 2002, the 75% quota share reinsurance agreement was replaced with a 60% quota share reinsurance agreement, and effective July 1, 2003, the 60% quota share reinsurance agreement was replaced with a 40% quota share reinsurance agreement. Retaining more premium under the new quota share reinsurance agreements had a $1,195 favorable impact on premiums earned for the nine months ended September 30, 2003 as compared to the same period of 2002, net of the impact of a reduction in direct written premiums between reporting periods as a result of increased competition and "suspension of coverage" requests related to the retained-risk NC Auto business. Partially offsetting this increase in premiums earned was a $139 decrease related to the nonowners automobile program as a result of the Company's South Carolina domiciled insurance subsidiaries being placed under administrative supervision of the SCDOI between August 21, 2002 and May 20, 2003.

Net Investment Income

Net investment income decreased $353, or 20.8%, for the nine months ended September 30, 2003 as compared to the same period of 2002, as a result of the decrease in the general level of market interest rates between reporting periods. For the nine months ended September 30, 2003, the Company's investment portfolio yielded an annualized weighted-average return of 3.7%, a deterioration from the 5.3% annualized weighted-average return for the same period of 2002. Somewhat compounding the impact of the lower average return was the decrease in the portfolio of income producing investments. Total debt securities and cash and short-term investments decreased $1,822 between December 31, 2002 and September 30, 2003.

Net Realized Gain

Realized gains for the nine months ended September 30, 2003 amounted to $105 and primarily resulted from the second quarter sale of debt securities that were due to mature in August 2003. The realized gain of $2,480 for the same period of 2002 is substantially the result of the sale of the Company's previously nonmarketable investment in equity securities of ISO back to ISO for $2,117 and the gain of $294 on the settlement of one of the key man life insurance policies maintained on certain of its former directors or officers.

Gain on Sale of NFIP Renewal Rights

As discussed above, in November 2002, the Company sold the renewal rights to its NFIP business to The Hartford for $3,800. Provisions of the underlying sales agreement provide that The Hartford administer and report the Company's business to the NFIP over the transition period that ended September 30, 2003. As a result of the Company's continuing involvement with the book of business during the transition period, the gain on the transaction of $3,499 (purchase price of $3,800 less expenses of sale of $301) was deferred and was recognized as income evenly over the transition period.

Equity in (Loss) Earnings of Unconsolidated Affiliates

The Company's equity in earnings of its unconsolidated affiliate was $167 for the nine months ended September 30, 2003 and relates to its investment in Sunshine State Holding Corporation. For the same period of 2002, the Company's equity in the loss of its unconsolidated affiliates was $205 and relates to its investments in Sunshine State Holding Corporation and QualSure Holding Corporation. Effective October 3, 2002, the Company's total ownership interest in QualSure Holding Corporation was redeemed by QualSure Holding Corporation.

Other Income

Other income decreased $351, or 22.3%, for the nine months ended September 30, 2003 as compared to the same period of 2002. The decrease is substantially attributable to the aforementioned discontinuation of INS' service lines. Other income related to the discontinued service lines was $415 for the nine months ended September 30, 2003 as compared to $767 for the same period of 2002. Included in other income for both the nine months ended September 30, 2003 and the nine months ended September 30, 2002 is $473 of amortized gain resulting from the sale of the Company's corporate headquarters to its principal shareholder in December 2000. Amortization of this deferred gain will continue through December 31, 2003, at which time it will be fully amortized.

Losses and Loss Adjustment Expenses

The following table sets forth the Company's reserves for unpaid losses and LAE as of September 30, 2003 and December 31, 2002, as well as a summary of the losses and LAE incurred for the nine months ended September 30, 2003 and 2002, by segment:

	Reserves for Unpaid Losses and LAE, Net:		Net Losses and LAE Incurred: Period Ended September 30, 2003			Net Losses and LAE Incurred: Period Ended September 30, 2002		
	September 30, 2003	December 31, 2002	Current Accident Year	Prior Accident Years	Total	Current Accident Year	Prior Accident Years	Total
Automobile	$ 3,005	$ 4,392	$ 3,271	$ (506)	$ 2,765	$ 2,956	$ (514)	$ 2,442
Commercial	3,557	2,563	3,294	466	3,760	3,484	383	3,867
All other	16,547	15,969	20	2,592	2,612	8,431	424	8,855
Total	$ 23,109	$ 22,924	$ 6,585	$ 2,552	$ 9,137	$ 14,871	$ 293	$ 15,164

The reserves for unpaid losses and LAE are determined using case-basis evaluations and statistical projections based on facts and circumstances currently known. An increase in average severity of claims may be caused by a number of factors that vary with the individual type of policy written. Future average severity is projected based on historical trends as adjusted for changes in underwriting standards, policy provisions, and general economic trends. These anticipated trends are monitored based on actual developments and are modified as necessary. The liabilities determined under these procedures are reduced by estimated amounts recoverable from the Company's reinsurers and an estimated amount to be received through salvage and subrogation. Management believes the Company's reserves are adequate. However, establishing reserves is an estimation process and the ultimate liability should be expected to be in excess of or less than the amount recorded. Any such changes in the estimated loss reserves are recorded in the year so determined. For example, for the nine months ended September 30, 2003 and 2002, the Company incurred $2,552 and $293, respectively, related to development of losses incurred prior to January 1, 2003 and 2002, respectively. The Company's consulting actuary renders an opinion on the adequacy of its recorded reserves for unpaid losses and LAE as of December 31 of each year. As of December 31, 2002, the Company's recorded reserves for unpaid losses and LAE were within 1.4% of the consulting actuary's best estimate.

Total losses and LAE decreased $6,027, or 39.7%, for the nine months ended September 30, 2003 as compared to the same period of 2002. For the nine months ended September 30, 2003, the Company continued to experience development in its runoff environmental and general liability business originally written in the 1980's and early 1990's (reported through the all other segment). Specifically, the trend of new claims features associated with this business alleging that the Company was liable for damages continued in January and February 2003. The LAE incurred in connection with defending the Company resulted in substantial adverse development during the reporting period. In addition, in September 2003, the Company, in conjunction with its consulting attorneys, completed discovery associated with a claim originally reported in December 2002, resulting in a conclusion that policy limits will be paid on the claim for each of the three years of coverage (1982-1984). The combination of this significant claim and the increasing trend of new claims features resulted in approximately $1,789 of adverse reserve development for the quarter ended September 30, 2003 and approximately $2,592 of adverse reserve development for the nine months ended September 30, 2003. Following is a summary of activity related to the Company’s environmental, pollution and toxic tort claims for the nine months ended September 30, 2003 and the year ending December 31, 2002:

	2003	2002
Pending, beginning of period	30	38
New claims advised for the period	9	7
Claims settled during the period	(3)	(15)
Pending, end of period	36	30

The claims involve four Superfund sites, eleven asbestos or toxic claims, seven underground storage tanks and fourteen industrial waste clean-up sites at September 30, 2003.

The commercial segment reported a decrease in losses and LAE of $107 for the nine months ended September 30, 2003, as compared to the same period of 2002, and a net loss and LAE ratio of 60.2% for the nine months ended September 30, 2003 as compared to 55.5% for the same period of 2002. The deterioration in the loss and LAE ratio primarily relates to an increase between reporting periods in the severity of claims related to prior accident years, resulting in development of prior year reserves totaling $466 for the nine months ended September 30, 2003. Of this total development of prior year reserves, a single claim accounted for approximately $350.

The automobile segment reported an increase in losses and LAE of $323 for the nine months ended September 30, 2003, as compared to the same period of 2002, primarily from the continuing NC Auto operations as a result of the aforementioned changes in its quota share reinsurance agreements. The increase in retained losses and LAE as a result of those changes was largely offset by a significant improvement in the NC Auto loss ratio for the nine months ended September 30, 2003 (51.2%), as compared to the same period of 2002 (61.6%). The improvement in the loss and LAE ratio is attributable to an overall decrease in the frequency of newly reported claims between periods, despite the influx of claims related to the severe weather experienced in North Carolina throughout the month of May 2003, as well as the implementation of a direct repair program and shifting from the use of staff appraisers to independents. Hurricane Isabel, which made landfall in September 2003, did not have a material impact on the net losses and LAE of NC Auto.

Policy Acquisition Costs

Policy acquisition costs decreased $11,293, or 60.7%, for the nine months ended September 30, 2003 as compared to the same period of 2002. Fluctuations in policy acquisition costs are directly correlated to fluctuations in, and the relative mix of, segmental direct written premium. Policy acquisition costs as a percentage of direct written premium was consistent between reporting periods, amounting to 21.4% and 21.0% for the nine months ended September 30, 2003 and 2002, respectively. Total direct written premiums for the nine months ended September 30, 2003 amounted to $34,085, as compared to the $88,767 written for the same period of 2002. The primary reasons for the decrease are business lost as a result of the administrative supervision of the SCDOI and the November 2002 sale of the Company’s renewal rights to its NFIP business to The Hartford.

Other Operating Costs and Expenses

Other operating costs and expenses decreased $1,674, or 12.2% for the nine months ended September 30, 2003 as compared to the same period of 2002. In addition to the wide array of general expense reductions that would normally be associated with a decreasing revenue base there were certain other noteworthy fluctuations:

- The Company experienced reductions in force between the nine months ended September 30, 2003 and the nine months ended September 30, 2002 that led to consolidated salary and benefit expense savings of $1,547.

- The adjusting services segment experienced significant reductions in revenue for the nine months ended September 30, 2003 as compared to the same period of 2002 (see *Other Income*). Associated with this decrease in revenues are corresponding reductions in a variety of other operating costs and expenses. Most notably, claims adjusting expenses incurred decreased $199 between periods.

- On March 28, 2002, the Company repaid all amounts outstanding on its credit facility. As a result, interest expense decreased $154 for the nine months ended September 30, 2003 as compared to the same period of 2002.

- In addition to various lawsuits generally arising in the normal course of their insurance and ancillary businesses, the Company or its subsidiaries were party to two significant lawsuits during the nine months ended September 30, 2003 and 2002. This litigation was described in the Company's December 31, 2002 Form 10-K. During the nine months ended September 30, 2003 as compared to the same period of 2002, there was a significant decrease in activity related to each case. As a result, the Company incurred $198 less in legal and other professional fees between the reporting periods.

- In accordance with the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets", the Company is required to perform annual tests of impairment on its goodwill, or more frequently if there are material changes in the Company's operations or environment. During the third quarter of 2003, the Company recorded a goodwill impairment charge of $700 related to its 1997 purchase of The Innovative Company as a result of a trend of decreased premium volume that led to lower than expected revenues, cash flows and net income through September 30, 2003.

- The Company experienced a $142 increase in the cost of its corporate insurance package (primarily directors and officers and errors and omissions coverage) for the nine months ended September 30, 2003 as compared to the same period of 2002.

Three months ended September 30, 2003 and 2002

Commission and Service Income

Total commission and service income decreased $6,236, or 65.2%, for the three months ended September 30, 2003 as compared to the same period of 2002. The automobile segment accounted for $280 of the overall net decrease, primarily as a result of the aforementioned runoff of the SC Facility and the SCAAIP and the decrease in premiums written and ceded to the NC Facility by NC Auto. Commission and service income earned through the SC Facility and the SCAAIP amounted to only $46 for the three months ended September 30, 2003 as compared to $190 for the same period of 2002. Premiums written and ceded to the NC Facility for the three months ended September 30, 2003 amounted to $4,689 as compared to $5,092 for the same period of 2002, resulting in a reduction of commission and service income of $136.

The flood segment reported a decrease in commission and service income of $4,658 for the three months ended September 30, 2003 as compared to the same period of 2002, primarily as a result of the Company's November 15, 2002 transaction with The Hartford. As a result of this transaction, premiums written through the NFIP and the related commission and service income decreased $14,228 and $4,574, respectively, for the three months ended September 30, 2003 as compared to the same period of 2002. The remaining $84 decrease in commission and service income reported by the flood segment is attributable to the operations of AFS and is believed to be attributable to fluctuations in mortgage lending activity between reporting periods as a result of changes in the general level of mortgage interest rates.

The adjusting services segment reported a decrease in commission and service income of $517 for the three months ended September 30, 2003 as compared to the same period of 2002 as a result of the discontinuation of certain of its service lines previously discussed.

Another $733 of the decrease in commission and service income for the three months ended September 30, 2003 as compared to the same period of 2002 is attributable to the all other segment and relates entirely to SBC's aforementioned managing general agent operation. Commission and service income associated with this operation amounted to $(6) for the three months ended September 30, 2003 as compared to $727 for the same period of 2002.

Premiums Earned

Net premiums earned decreased $9,891, or 72.3%, for the three months ended September 30, 2003 as compared to the same period of 2002. The all other segment accounted for $9,576 of the decrease, primarily as a result of the accounting and reporting of the HDC workers' compensation program as detailed above.

The commercial segment reported a decrease in premiums earned of $377 for the three months ended September 30, 2003 as compared to the same period of 2002. The decrease is primarily attributable to business lost while the Company's South Carolina domiciled insurance subsidiaries were under administrative supervision of the SCDOI between August 21, 2002 and May 20, 2003.

Net Investment Income

Net investment income decreased $171, or 30.1%, for the three months ended September 30, 2003 as compared to the same period of 2002, as a result of the decrease in the general level of market interest rates between reporting periods. For the three months ended September 30, 2003, the Company's investment portfolio yielded an annualized weighted-average return of 3.4%, a deterioration from the 5.3% annualized weighted-average return for the same period of 2002. Somewhat offsetting the impact of the lower average return was an increase in net investment income generated from a substantially larger average portfolio of income producing investments during the quarter ended September 30, 2003 of $47,235 as compared to $42,107 for the same period of 2002.

Net Realized Gain

Realized gains for the three months ended September 30, 2003 and 2002 amounted to $7 and $13, respectively, and resulted from the sale of debt securities.

Gain on Sale of NFIP Renewal Rights

As a result of the Company's continuing involvement with the book of business during the transition period, the gain on the Company's transaction with The Hartford was deferred and was recognized as income evenly over the transition period that ended September 30, 2003.

Equity in (Loss) Earnings of Unconsolidated Affiliates

The Company's equity in the loss of its unconsolidated affiliate was $17 for the three months ended September 30, 2003 and relates to its investment in Sunshine State Holding Corporation. For the same period of 2002, the Company's equity in the loss of its unconsolidated affiliates was $202 and relates to its investments in Sunshine State Holding Corporation and QualSure Holding Corporation.

Other Income

Other income decreased $150, or 29.4%, for the three months ended September 30, 2003 as compared to the same period of 2002. The decrease is substantially attributable to the aforementioned discontinuation of INS' service lines. Other income related to the discontinued service lines decreased $137 for the three months ended September 30, 2003 as compared to the same period of 2002. Included in other income for both the three months ended September 30, 2003 and the three months ended September 30, 2002 is $158 of amortized gain resulting from the sale of the Company's corporate headquarters to its principal shareholder in December 2000. Amortization of this deferred gain will continue through December 31, 2003, at which time it will be fully amortized.

Losses and Loss Adjustment Expenses

The following table summarizes the Company's losses and LAE incurred for the three months ended September 30, 2003 and 2002, by segment:

	2003			**2002**		
	Current Accident Year	**Prior Accident Years**	**Total**	**Current Accident Year**	**Prior Accident Years**	**Total**
Automobile	$ 924	$ (240)	$ 684	$ 1,086	$ (83)	$ 1,003
Commercial	1,718	51	1,769	1,474	(74)	1,400
All other	6	1,789	1,795	8,421	154	8,575
Total	$ 2,648	$ 1,600	$ 4,248	$ 10,981	$ (3)	$ 10,978

Total losses and LAE decreased $6,730, or 61.3%, for the three months ended September 30, 2003 as compared to the same period of 2002. The all other segment accounted for $6,780 of the overall net decrease as a result of the net effect of two factors. First, as a result of the accounting and reporting of the HDC workers' compensation program (see previous discussion), the Company recorded losses and LAE of $8,402 for the three months ended September 30, 2002. There were no recorded losses and LAE for the corresponding period of 2003. Second, and partially offsetting the decrease in losses and LAE associated with the accounting and reporting of the HDC workers' compensation program, was an increase of $1,622 between reporting periods associated with the Company's runoff environmental and general liability business. As previously discussed, the combination of the development of a single claim coupled with an increasing trend of new claims features resulted in approximately $1,789 of adverse reserve development for the quarter ended September 30, 2003.

The automobile segment reported a decrease in losses and LAE of $319 for the three months ended September 30, 2003, as compared to the same period of 2002. The Company's NC Auto operations accounted for $237 of the decrease, reporting a loss and LAE ratio of 37.3% for the three months ended September 30, 2003 as compared to 56.6% for the same period of 2002. The improvement in the loss and LAE ratio is attributable to an overall decrease in the frequency of newly reported claims between periods as well as the implementation of a direct repair program and shifting from the use of staff appraisers to independents. The remainder of the net decrease is attributable to the Company's runoff South Carolina Voluntary and Nashville operations and its continuing Nonowners program.

The commercial segment reported an increase in losses and LAE of $369 for the three months ended September 30, 2003, as compared to the same period of 2002, and a net loss and LAE ratio of 90.3% for the nine months ended September 30, 2003 as compared to 59.9% for the same period of 2002. The significant deterioration in the loss and LAE ratio, as well as the increase in losses and LAE, primarily relates to approximately $676 in losses and LAE sustained from Hurricane Isabel.

Policy Acquisition Costs

Policy acquisition costs decreased $4,944, or 68.8%, for the three months ended September 30, 2003 as compared to the same period of 2002. Fluctuations in policy acquisition costs are directly correlated to fluctuations in, and the relative mix of, segmental direct written premium. Policy acquisition costs as a percentage of direct written premium was consistent between reporting periods, amounting to 20.8% and 20.0% for the three months ended September 30, 2003 and 2002, respectively. Total direct written premiums for the three months ended September 30, 2003 amounted to $10,776, as compared to the $35,933 written for the same period of 2002. The primary reasons for the decrease are business lost as a result of the administrative supervision of the SCDOI and the November 2002 sale of the Company's renewal rights to its NFIP business to The Hartford.

Other Operating Costs and Expenses

Other operating costs and expenses decreased $282, or 6.7% for the three months ended September 30, 2003 as compared to the same period of 2002, substantially as a result of reduced salary and benefits expenses. The September 2001 incentive compensation program covering certain members of management was terminated by the Company's Board of Directors on October 31, 2002. Accordingly, the Company reversed the entire accrued liability of $526 in September 2002 through a credit to earnings. A further reduction in salary and benefits expenses of $189 for the three months ended September 30, 2003 as compared to the same period of 2002 was the result of previously discussed reductions in force. In addition to salary and benefits expenses savings between reporting periods, the Company also experienced a $98 reduction in legal fees as a result of the decreased legal activity associated with the HDC litigation between reporting periods. Finally, the adjusting services segment experienced significant reductions in revenue for the three months ended September 30, 2003 as compared to the same period of 2002 (see Other Income). Associated with this decrease in revenues are corresponding reductions in a variety of other operating costs and expenses. Most notably, claims adjusting expenses incurred decreased $95 between periods. Partially offsetting these reductions in other operating costs and expenses was the $700 increase associated with the September 2003 impairment of the Company's recorded goodwill.

COMMITMENTS AND CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS

On March 28, 2003, the HDC Group filed (i) a Motion to Set and Certificate of Readiness pursuant to which the HDC Group moved that the action be set for trial and (ii) an Initial Rule 26.1 Disclosure Statement disclosing its legal theories and claims, which include breach of contract, breach of the duty of good faith and fair dealing, tortious interference with contract/business relations and slander, seeking actual and punitive damages. The HDC Group filed its Second Amended Complaint against the Company on May 28, 2003, which included the above claims. The Company filed its Answer on June 16, 2003, which included counterclaims. The HDC Group subsequently moved to dismiss the Company's claims and a hearing on HDC's Motion to Dismiss took place on September 12, 2003. The Court issued its Ruling on the matter on October 23, 2003, whereby the Court granted the HDC Group's motion, thus dismissing Seibels' claims. The ultimate outcome of the litigation surrounding the HDC Group's Second Amended Complaint cannot be reasonably determined at this time.

Estimated reserves for losses and LAE for claims arising under the HDC Program have been established by the Company net of the

deductible that HDC is required to pay under order of the Court. The Company has a potential off-balance sheet credit risk associated with such deductibles if the Company were required to fund the deductibles in the event that HDC cannot pay the deductible.

The Court has ordered HDC to retain an independent actuary to estimate the HDC program unpaid losses and LAE, subject to the deductible, and has ordered HDC to deposit funds in an equivalent amount in accounts collateralizing HDC's liabilities under the deductible program. The actuary retained by HDC has issued a report estimating HDC's remaining liability for such deductibles to be $4,300. HDC has deposited funds totaling $4,300 into a Court-restricted commercial checking account ($3,000 on January 29, 2003 and $1,300 on February 21, 2003). At September 30, 2003, approximately $2,400 of the original $4,300 remained on deposit as a result of claims payments under the program. Pursuant to court order, the Company has retained an actuary to review the work of the actuary retained by HDC. The actuary retained by the Company has raised questions regarding aspects of the methodology used by the actuary retained by HDC. The Company is yet to receive a response to those questions. The Company, in consultation with its consulting actuary, has estimated that HDC's ultimate remaining liability for such deductibles as of September 30, 2003 may be as much as $5,800 higher than the $2,400 remaining in the Court-restricted commercial checking account. The Company has filed a Motion to Show Cause in an effort to compel HDC to increase the funds available in the commercial checking account. Depositions of each parties' actuary occurred on August 5 and 6, 2003 and a hearing on this motion was scheduled for September 12, 2003. However, the Court postponed a hearing on this motion until November 10, 2003, and then again until January 12, 2004.

LIQUIDITY AND CAPITAL RESOURCES

The Company is a legal entity separate and distinct from its subsidiaries. As a holding company, the primary sources of cash needed to meet its obligations are dividends and other permitted payments, including management fees, from its subsidiaries and affiliates. The Company's insurance subsidiaries are regulated as to their payment of dividends by their respective state of domicile's insurance laws.

Liquidity relates to the Company's ability to produce sufficient cash to fulfill its cash obligations. In developing its investment strategy, the Company determines a level of cash and short-term investments which, when combined with expected cash flow, is expected to be adequate to meet expected cash obligations.

The Company's principal sources of liquidity during 2003 include the collection of commission and service fees, including substantial amounts received from the NC Facility and QualSure Insurance Corporation; premium collections on insurance policies issued; collections of balances due from its reinsurers; and the collection of net investment income and proceeds received from the sale or maturity of investments. In addition to payments for its routine and recurring operating expenses, the Company's principal cash obligations include the payment of liabilities to its policyholders for unpaid losses, LAE and unearned premiums, the payment of dividends on its Adjustable Rate Cumulative Nonvoting Preferred Special Stock, and the future lease payments under its various operating leases.

The Company's cash outflows can vary greatly because of the uncertainties regarding settlement dates for liabilities for unpaid losses and LAE and because of the potential for large losses. Accordingly, the Company maintains investment and reinsurance programs generally intended to avoid the forced sale of investments to meet claims obligations (see Item 3. Quantitative and Qualitative Disclosures About Market Risk).

While the Company's total debt securities are consistent as of September 30, 2003 and December 31, 2002, there was significant trading activity during the nine month period primarily as a result of replacing approximately $3,600 in maturing securities that were held on deposit by various regulatory authorities. Because the regulatory authorities require receipt of replacement securities prior to the maturity of existing securities held on deposit, the Company experienced an increase in securities held on deposit of $4,076 between December 31, 2002 and June 30, 2003. During the three months ended September 30, 2003, the regulatory authorities released the maturing securities and they were redeemed, thereby reducing the value of securities held on deposit, as well as the balance of the Company's total debt securities, to levels consistent with December 31, 2002. Furthermore, as a result of the significant net long-term investing activities during the nine months ended September 30, 2003, the average maturity of the Company's bond portfolio increased from 2.14 years at December 31, 2002 to 2.55 years at September 30, 2003. The credit quality of the Company's bond portfolio averaged "AAA" at September 30, 2003 and December 31, 2002.

For the nine months ended September 30, 2003, the Company's cash and short-term investments decreased $1,712 as a result of $2,326 in net cash used for operations and $326 in cash used to pay dividends and finance the Company's stock tender program, partially offset by $940 in net cash provided by investing activities. The Company's current investment objectives include maintaining a relatively low average maturity to provide liquidity for operations, if needed, as well as to position the portfolio for longer term investing when investment yields begin to improve.

Between December 31, 2002 and September 30, 2003, the Company reported a substantial decrease in its unearned premium reserves and its prepaid reinsurance premiums of $20,596 and $21,380, respectively. These offsetting decreases are substantially attributable to the reduction in premiums written and ceded to the NFIP that resulted from the sale of the Company's renewal rights to that business to The Hartford effective November 15, 2002.

Between December 31, 2002 and September 30, 2003, the Company reported a substantial decrease in its other liabilities and deferred items of $3,750. The primary reason for the decrease is the amortization of the $3,149 deferred gain on sale of NFIP renewal rights to The Hartford that existed at December 31, 2002. The deferred gain was fully amortized at September 30, 2003.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

A substantial portion of the Company's cash and investments is comprised of investments in market-rate sensitive debt securities. The amortized costs and estimated fair values of these market-rate sensitive investments as of September 30, 2003 and December 31, 2002 are included in Note 2 of the unaudited Notes to Consolidated Financial Statements. The market values of these investments can fluctuate greatly according to changes in the general level of market interest rates. For example, a one percentage point increase (decrease) in the general level of market interest rates would (decrease) increase the total estimated fair value of the Company's debt securities by approximately $(1,067) and $968, respectively, as of September 30, 2003. In its investment strategy, the Company attempts to match the average duration of its investment portfolio with the approximate duration of its liabilities. All debt securities are considered available for sale and are carried at fair value as of September 30, 2003 and December 31, 2002. The weighted-average maturity of the fixed income investments as of September 30, 2003 and December 31, 2002 was approximately 2.55 and 2.14 years, respectively.

The Company pays dividends on its Adjustable Rate Cumulative Nonvoting Preferred Special Stock at a rate of 3.5% plus LIBOR (amounting to 4.7% at September 30, 2003 and 4.9% at December 31, 2002).

ITEM 4. CONTROLS AND PROCEDURES.

Based on the evaluation required by 17 C.F.R. Section 240.13a-15(b) or 240.15d-15(b) of the Company's disclosure controls and procedures (as defined in 17 C.F.R. Sections 240.13a-15(e) and 240.15d-15(e)), the Company's chief executive officer and treasurer and controller (principal accounting officer) concluded that the effectiveness of such controls and procedures, as of the end of the period covered by this quarterly report, was adequate.

No disclosure is required under 17 C.F.R. Section 229.308(c).

PART II. - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

(a) On March 28, 2003, the HDC Group filed (i) a Motion to Set and Certificate of Readiness pursuant to which the HDC Group moved that the action be set for trial and (ii) an Initial Rule 26.1 Disclosure Statement disclosing its legal theories and claims, which include breach of contract, breach of the duty of good faith and fair dealing, tortious interference with contract/business relations and slander, seeking actual and punitive damages. The HDC Group filed its Second Amended Complaint against the Company on May 28, 2003, which included the above claims. The Company filed its Answer on June 16, 2003, which included counterclaims. The HDC Group subsequently moved to dismiss the Company's claims and a hearing on HDC's Motion to Dismiss took place on September 12, 2003. The Court issued its Ruling on the matter on October 23, 2003, whereby the Court granted the HDC Group's motion, thus dismissing Seibels' claims. The ultimate outcome of the litigation surrounding the HDC Group's Second Amended Complaint cannot be reasonably determined at this time.

(b) In February 2002, litigation was initiated in the District Court of Shelby County, Texas, in a lawsuit styled Mary Masterson, individually and on behalf of all others similarly situated, vs. America's Flood Services, Inc., et al. The litigation involves both the Company and its wholly-owned subsidiary, AFS. The pleadings allege that a putative class of persons in Texas received facsimile advertisements in violation of the federal Telephone Consumer Protection Act (TCPA). The named plaintiff filed an unopposed preliminary application for approval of the settlement and a settlement class, which was approved by the court in June 2003. The court approved the final settlement and settlement class at a final fairness hearing on September 12, 2003. The lawsuit was dismissed upon the parties' motion after the settlement fund was fully funded. The final resolution of the litigation did not have a material impact on the Company's financial statements.

(c) The Company and its subsidiaries are parties to various other lawsuits generally arising in the normal course of their insurance and ancillary businesses. The Company does not believe that the eventual outcome of such suits will have a material effect on the financial condition or results of operations of the Company.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) List of exhibits

3.1 Restated Articles of Incorporation of the Registrant, as amended, dated February 12, 1999, incorporated herein by reference to the Annual Report on Form 10-K, Exhibit 3.1, for the year ended December 31, 1998. Articles of Amendment to the Restated Articles of Incorporation, dated July 2, 2002.

3.2 By-laws of the Registrant, as amended and restated, dated May 10, 2000.

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002

31.2 Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002

32 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K:

Form 8-K filed pursuant to Item 7 thereof with the Securities and Exchange Commission on August 18, 2003 announcing earnings for the second quarter of 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE SEIBELS BRUCE GROUP, INC.
(Registrant)

Date: November 14, 2003 By /s/ CHARLES H. POWERS
Charles H. Powers
Chief Executive Officer

Date: November 14, 2003 By /s/ BRYAN D. RIVERS
Bryan D. Rivers, CPA
Treasurer and Controller (Principal Accounting Officer)

Exhibit 3.1
Filed with Secretary
of State July 2, 2002

STATE OF SOUTH CAROLINA
SECRETARY OF STATE

ARTICLES OF AMENDMENT

TO THE RESTATED ARTICLES OF INCORPORATION OF

THE SEIBELS BRUCE GROUP, INC.

TO THE SECRETARY OF STATE OF SOUTH CAROLINA:

The undersigned corporation, amending its Restated Articles of Incorporation submits for filing these Articles of Amendment setting forth the following as required under Section 33-6-102 and pursuant to Section 33-10-106 of the Code of Laws of South Carolina Annotated:

(1) The name of the corporation is The Seibels Bruce Group, Inc. (the “Corporation”).

(2) The text of the amendment (the “Amendment”) is to replace Exhibit 3 to the Addendum of Section 5(b) of the Restated Articles of Incorporation of the Corporation with the following:

EXHIBIT 3

CERTIFICATE OF DESIGNATIONS

ADJUSTABLE RATE CUMULATIVE NONVOTING PREFERRED SPECIAL STOCK

SUBPART 1

DESIGNATION AND RANK

1.1 Designation. A single series of Special Stock designated “Adjustable Rate Cumulative Nonvoting Preferred Special Stock” (hereinafter called the “Preferred Stock”) is hereby authorized. The number of authorized shares constituting the Preferred Stock is 800,000. Shares of the Preferred Stock shall be issued at a stated value of $10.00 per share (the “Stated Value”).

1.2 Rank. With respect to the payment of the dividends and other distributions with respect to the capital stock of the Corporation, including the distribution of the assets of the Corporation upon liquidation, dissolution or winding up, the Preferred Stock shall be pari passu with the Corporation’s issued and then-outstanding Cumulative Convertible Redeemable Nonvoting Special Preferred Stock and the Corporation’s issued and then-outstanding $0.625 Cumulative Convertible Redeemable Nonvoting Special Preferred Stock and shall not be junior to any other series or class of stock of the Corporation.

SUBPART 2

DIVIDEND RIGHTS

2.1 Dividend Rate. Holders of Preferred Stock will be entitled to receive, when and as declared by the Board of Directors of the Corporation out of assets of the Corporation legally available therefor, cumulative cash dividends at the rate per share equal to the Applicable Rate (as hereinafter defined) from time to time in effect, for each Dividend Period (as hereinafter defined) multiplied by the Stated Value. The annual rate at which such dividends shall accrue is hereinafter referred to as the "Dividend Rate."

The "Applicable Rate" for any Dividend Period will be equal to the Effective Rate (as hereinafter defined) plus 3.5%. The "Effective Rate" shall mean the interest rate per annum equal to the average (rounded upward to the next higher 1/16 of one percent) of the offered rates for deposits in United States dollars for a period equal to the Dividend Period which appears on the Reuters Screen Libor Page at approximately 11:00 A.M. (London time) two (2) Business Days (as hereinafter defined) prior to the beginning of such Dividend Period. In the event that such rate does not appear, "Applicable Rate" shall mean the rate per annum determined by the Board of Directors to be the rate (or average of rates, if applicable) (rounded upward to the next higher 1/16 of one percent) for deposits in United States dollars for a period equal to such Dividend Period which appears on the Telerate Screen or other comparable service at approximately 11:00 A.M. (London time) (or as soon thereafter as practicable), two (2) Business Days prior to the first day of such Dividend Period.

The "Initial Dividend Period" shall commence on the date of issuance of the Preferred Stock to and including June 30, 2002. Each subsequent quarterly dividend period thereafter (the Initial Dividend Period and each quarterly dividend period being hereinafter individually referred to as a "Dividend Period" and collectively referred to as "Dividend Periods") shall be in four equal amounts per annum and shall commence on January 1, April 1, July 1 and October 1 in each year (each, a "Dividend Period Commencement Date"), commencing July 1, 2002, and shall end on and include the day next preceding the next Dividend Period Commencement Date.

The Applicable Rate with respect to each Dividend Period will be calculated as promptly as practicable by the Corporation according to the method described above and will cause notice of such dividend rate to be enclosed with the dividend payment checks next mailed to the holders of the Preferred Stock.

2.2 Accrual and Payment . Dividends on each share of Preferred Stock shall be cumulative and except as otherwise provided herein, dividends on the Preferred Stock shall be payable, when and as declared by the Board of Directors or a committee thereof, on March 31, June 30, September 30 and December 31 (or, if such day is not a Business Day (as hereinafter defined), on the next Business Day thereafter) of each year, commencing on June 30, 2002 (each such date being hereinafter referred to as a "Dividend Payment Date"), to holders of record as they appear on the books of the Corporation on such record date, not preceding the date upon which the resolution fixing the record date is adopted and not exceeding 60 days preceding the relevant Dividend Payment Date, as may be determined by the Board of Directors or a duly authorized committee thereof. If declared, dividends shall be paid in cash on each Dividend Payment Date with respect to the quarterly period ending on such Dividend Payment Date. To the extent not declared and paid, dividends shall accumulate. The amount of dividends payable for the initial dividend period or any period shorter or longer than a full dividend period shall be calculated on the basis of a 360-day year of twelve 30-day months. Accrued dividends not paid on a Dividend Payment Date may be declared and paid at any time, without reference to any regular Dividend Payment Date, to holders of record on such record date, not preceding the date upon which the resolution fixing the record date is adopted and not exceeding 60 days preceding the payment date thereof, as may be fixed by the Board of Directors or a duly authorized committee thereof. "Business Day" shall mean any day excluding Saturday, Sunday and any day on which the Fedwire funds transfer system of the Federal Reserve Banks is not available for the transfer of funds.

2.3 Dividends or Distributions to Junior Stock . So long as any shares of Preferred Stock are outstanding, no dividend or distribution shall be declared or paid or set aside for payment on the common stock of the Corporation or on any other stock of the Corporation ranking junior to the Preferred Stock as to dividends, unless, full cumulative dividends on all outstanding shares of the Preferred Stock shall have been declared and paid through and including the most recent Dividend Payment Date.

SUBPART 3

LIQUIDATION RIGHTS

3.1 Preferences of Preferred Stock on Winding-Up of the Corporation . In the event of any voluntary or involuntary liquidation, dissolution, winding up of affairs of the Corporation or other similar event, before any distribution is made upon any class of stock of the Corporation ranking junior to the Preferred Stock, the holders of shares of Preferred Stock shall be entitled to be paid, out of the assets of the Corporation available for distribution to its shareholders, an amount per share equal to the Stated Value, plus an amount equal to all accrued and unpaid dividends (such amounts, together, the "Liquidation Value"). Neither the consolidation nor merger of the Corporation with or into any other corporation or corporations, nor the sale or lease of all or substantially all of the assets of the Corporation, shall itself be deemed to be a liquidation, dissolution or winding-up of the affairs of the Corporation within the meaning of any of the provisions of this Subpart 3.

3.2 Pro Rata Distribution . If, upon distribution of the Corporation's assets in liquidation, dissolution, winding-up or other similar event, the net assets of the Corporation to be distributed among the holders of shares of Preferred Stock and any other class or series of stock of the Corporation ranking on a parity with the Preferred Stock as to distributions upon liquidation are insufficient to permit payment in full to such holders of the preferential amount to which they are entitled, then the entire net assets of the Corporation shall be distributed among the holders of shares of Preferred Stock and such other class or series of stock ratably in proportion to the full amounts to which they would otherwise be respectively entitled and such distributions may be made in cash or in property taken at its fair value (as determined in good faith by the Board of Directors), or both, at the election of the Board of Directors.

3.3 Priority. All of the preferential amounts to be paid to the holders of the Preferred Stock and the holders of any other class or series of stock of the Corporation ranking on a parity with the Preferred Stock as to distributions upon liquidation shall be paid or set apart for payment before the payment or setting apart for payment of any amount for, or the distribution of any assets of the Corporation to, the holders of the common stock of the Corporation and any other class or series of stock of the Corporation which is junior to the Preferred Stock as to distributions upon liquidation.

SUBPART 4

VOTING RIGHTS

4.1 General. The holders of shares of Preferred Stock shall have no voting rights except as required by law. The holders of Preferred Stock shall be entitled to notice of any meeting of the stockholders of the Corporation.

SUBPART 5

MISCELLANEOUS

The headings of the various Subparts hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

(3) This Amendment was adopted by the Board of Directors, without action by the shareholders of the Corporation, on March 28, 2002.

(4) This Amendment was duly adopted by the Board of Directors in accordance with Section 33-6-102 of the Code of Laws of South Carolina which pursuant to the Corporation's Restated Articles of Incorporation, does not require shareholder action.

DULY EXECUTED, delivered and certified, under seal, by duly authorized officers of the Corporation on July 2, 2002.

THE SEIBELS BRUCE GROUP, INC.

By: /s/ JOHN E. NATILI
Name: John E. Natili
Title: President and Chief Executive Officer

(Corporate Seal)

Attest:

/s/ MATTHEW P. MCCLURE
Secretary

Exhibit 3.2

BYLAWS

OF

THE SEIBELS BRUCE GROUP, INC.

A SOUTH CAROLINA CORPORATION

May 10, 2000

ARTICLE 1: OFFICES

Section 1: Registered Office and Agent. The registered office of the corporation shall be at 1501 Lady Street, Columbia, South Carolina.

Section 2: Other Offices. The corporation may also have offices at such other places both within and without the State of South Carolina as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE 2: SHAREHOLDERS

Section 1: Place of Meetings. Meetings of shareholders shall be held at the time and place, within or without the State of South Carolina, stated in the notice of the meeting or in a waiver of notice.

Section 2: Annual Meeting. An annual meeting of the shareholders shall be held each year at 11:00 a.m. on the third Wednesday in May, or such other date and time as the Board of Directors shall designate and state in the notice of the meeting. At the meeting, the shareholders shall elect directors and transact such other business as may properly be brought before the meeting.

Section 3: Voting List. At least ten days prior to each meeting of the shareholders, a complete list of the shareholders entitled to vote at the meeting, arranged in alphabetical order, with the address of each and the number of voting shares held by each, shall be prepared by the officer or agent having charge of the stock transfer books. The list, for a period of ten days prior to the meeting, shall be kept on file at the registered office of the corporation and shall be subject to inspection by any shareholder at any time during usual business hours. The list shall also be produced and kept open at the time and place of the meeting during the whole time thereof, and shall be subject to the inspection of any shareholder during the whole time of the meeting.

Section 4: Special Meetings. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute or by the articles of incorporation, or by these bylaws, may be called by the president, the chairman of the board of directors, or a majority of the board of directors. Business transacted at a special meeting shall be confined to the purposes stated in the notice of the meeting.

Section 5: Notice. Written or printed notice stating the place, day, and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten working days nor more than fifty days before the date of the meeting, either personally or by mail, by or at the direction of the chairman, the president, the secretary, or the officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed delivered when deposited with postage prepaid in the United States mail, addressed to the shareholder at the address appearing on the stock transfer books of the corporation. No failure or irregularity of notice of any regular meeting shall invalidate the same or any proceeding thereat.

Section 6: Quorum. The holders of a majority of the shares issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall be requisite and shall constitute a quorum at meetings of shareholders for the transaction of business except as otherwise provided by statute, by the articles of incorporation or by these bylaws. If a quorum is not present or represented at a meeting of the shareholders, the shareholders entitled to vote, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At an adjourned meeting at which a quorum is present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 7: Majority Vote; Withdrawal of Quorum. Except in regards to the election of directors, when a quorum is present at a meeting, the vote of the holders of a majority of the shares having voting power, present in person or represented by proxy, shall decide any question brought before the meeting, unless the question is one which, by express provision of the statutes, the articles of incorporation, or these bylaws, a higher vote is required in which case the express provision shall govern. Directors shall be elected by plurality vote of the shareholders. The shareholders present at a duly constituted meeting may continue to transact business until adjournment, despite the withdrawal of enough shareholders to leave less than a quorum.

Section 8: Method of Voting. Each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders, except to the extent that the articles of incorporation limit or deny the voting rights of the shares of any class of classes, or to the extent that the board of directors pursuant to the authority contained in the articles of incorporation, may designate one or more classes of stock without voting rights. At any meeting of the shareholders, every shareholder having the right to vote may vote either in person or by proxy. A shareholder may appoint a proxy to vote or otherwise act for him by signing any appointment form, either personally or by his attorney-in-fact, which may be delivered by some form of electronic transmission appearing to have been transmitted or authorized by the shareholder or his attorney-in-fact. No proxy shall be valid after the expiration of eleven months from the date of its execution. Every proxy shall be filed with the secretary of the corporation or other officer or agent authorized to tabulate votes prior to or at the time of the meeting. Voting for directors shall be in accordance with Article 3, Section 3, of these bylaws. Any vote may be taken by voice or by hands unless someone entitled to vote objects, in which case written ballots shall be used.

Section 9: Record Date; Closing Transfer Books. The board of directors shall fix in advance a record date for the purpose of determining shareholders entitled to notice of or to vote at a meeting of the shareholders, the record date to be not less than ten nor more than seventy days prior to the meeting and the board of directors shall close the stock transfer books for such purpose on such record date.

ARTICLE 3: DIRECTORS

Section 1: Management. The business and affairs of the corporation shall be managed by the board of directors who may exercise all such powers of the corporation and do all such lawful acts and things as are not (by statute or by the articles of incorporation or by these bylaws) directed or required to be done or exercised by the shareholders.

Section 2: Number, Classification and Election of Directors. The board of directors shall be limited to a maximum of twenty-one directors, with the precise number thereof to be fixed as the board shall from time to time resolve. The members of the board of directors need not be shareholders nor need they be residents of any particular state. The directors shall be classified with respect to the time for which they shall severally hold office by dividing them into three classes, each consisting of any approximately equal number of directors, and each director of the corporation shall hold office until his successor shall be elected and shall qualify. At the first annual meeting of the shareholders, the directors of the first class shall be elected for a term to expire at the next subsequent annual meeting of shareholders; the directors of the second class shall be elected for a term expiring at the second subsequent annual meeting of shareholders; the directors of the third class shall be elected for a term expiring at the third subsequent annual meeting of shareholders; and at each annual meeting thereafter the successors to the class of directors whose terms shall expire at that time shall be elected to hold office for the term of three years, so that the term of office of one class of directors shall expire in each year.

Section 3: Election of Directors. Directors shall be elected by plurality vote. Cumulative voting shall be permitted if a shareholder entitled to vote and desiring to cumulate his votes shall make his intention known before the voting for directors shall commence. This being done, all shareholders entitled to vote at such meeting shall without further notice be entitled to cumulate their votes.

Section 4: Removal of Directors.

(a) Directors may be removed without cause by the affirmative vote of the holders of a majority of the shares entitled to vote at an election of directors, such vote being taken at a meeting of the shareholders called for that purpose at which the holders of eighty percent (80%) of the shares entitled to vote are present in person or represented by proxy. No amendment, alteration, change or repeal of this subparagraph (a) of Article 3, Section 4, may be effected unless it is first approved by the affirmative vote of holders of not less than eighty percent (80%) of each class of shares of the corporation entitled to vote thereon.

(b) Directors may be removed for cause by the affirmative vote of the holders of a majority of the shares entitled to vote at an election of directors, such vote being taken at a meeting of the shareholders called for that purpose at which a quorum as provided in Article 2, Section 6, is present.

Section 5: Vacancies. Any vacancy occurring in the board of directors, whether by increase in the number of directors or by death, resignation, removal, or otherwise may be filled by the affirmative vote of a majority of the remaining directors then in office for a term ending at the next annual meeting of the shareholders of the corporation.

Section 6: Chairman of the Board. The office of the chairman of the board may be filled by the board at its pleasure by the election of one of its members to the office. The chairman shall preside at all meetings of the board and of the shareholders, and shall perform such other duties as may be assigned to him by the board of directors.

Section 7: Place of Meetings. Meetings of the board of directors, regular or special, may be held either within or without the State of South Carolina.

Section 8: Regular Meetings. Regular meetings of the board of directors may be held without notice at such time and place as shall from time to time be determined by the board.

Section 9: Special Meetings. Special meetings of the board of directors may be called without notice by the chairman, the president, or any executive vice president.

Section 10: Telephone and Similar Meetings. Directors may participate in and hold a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such a meeting shall constitute presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 11: Quorum; Majority Vote. At meetings of the board of directors, a majority of the number of directors then in office shall constitute a quorum for the transaction of business. The acts of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, except as otherwise specifically provided by statute, the articles of incorporation, or these bylaws. If a quorum is not present at a meeting of the board of directors, the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

Section 12: Compensation. By resolution of the board of directors, the directors may be paid their expenses, if any, for attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of the executive committee, audit committee, or of special or standing committees may, by resolution of the board of directors, be allowed compensation for attending committee meetings.

Section 13: Procedure. The board of directors shall keep regular minutes of its proceedings. The minutes shall be placed in the minute book of the corporation.

Section 14: Action Without Meeting. Any action required or permitted to be taken at a meeting of the board of directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed before or after the action by all the members of the board of directors. Such consent shall have the same force and effect as a unanimous vote at a meeting. The signed consent, or a signed copy, shall be placed in the minute book.

ARTICLE 4: EXECUTIVE COMMITTEE; AUDIT COMMITTEE; COMPENSATION COMMITTEE; INVESTMENT COMMITTEE; NOMINATING COMMITTEE; OTHER COMMITTEES

Section 1: Executive Committee.

(a) The board may create an executive committee and appoint three or more directors to serve on it. The committee as so constituted shall, except as limited by law or by the board, have and may exercise all of the authority of the board. The directors so appointed shall serve at the pleasure of the board.

Section 2: Audit Committee.

(a) Number; Qualification; Term. The audit committee shall consist of three or more directors, none of whom shall be employed by the corporation in any capacity other than as a director. The audit committee shall serve at the pleasure of the board of directors.

(b) Authority. The audit committee, to the extent provided in such resolution, shall select and nominate for consideration of the board of directors independent auditors of the corporation, shall be responsible for the arrangements for and scope of the independent examination of the financial records of the corporation by such auditors, shall give appropriate consideration to the controls of such audit, and shall perform such other duties and assume such additional responsibility as may from time to time be placed upon it by the board of directors.

Section 3: Compensation Committee.

(a) Number; Qualification; Term. The compensation committee shall consist of three or more directors. The compensation committee shall serve at the pleasure of the board of directors.

(b) Authority. The compensation committee shall consider and recommend to the board the compensation to be paid in cash and other benefits to be provided directors and certain executive officers of the corporation, and shall perform such other duties and assume such additional responsibility as may from time to time be placed upon it by the board of directors.

Section 4: Investment Committee.

(a) Number; Qualification; Term. The investment committee shall consist of three or more directors. The investment committee shall serve at the pleasure of the board of directors.

(b) Authority. The investment committee shall advise the directors and officers of the corporation with respect to investment of the corporation's assets and to periodically review, evaluate, and report on the performance of the investments and the investment managers and advisors of the corporation and its subsidiaries, and shall perform such other duties and assume such additional responsibility as may from time to time be placed upon it by the board of directors.

Section 5: Nominating Committee.

(a) Number; Qualification; Term. The nominating committee shall consist of three or more directors. The nominating committee shall serve at the pleasure of the board of directors.

(b) Authority. The nominating committee shall consider and propose to the board persons to be directors of the corporation and to consider and propose to the board creation or elimination of positions and titles of officials of the corporation and changes in the number of positions to be filled, and shall perform such other duties and assume such additional responsibility as may from time to time be placed upon it by the board of directors.

Section 6: Other Committees.

(a) The board may appoint such other committees as it deems appropriate, each consisting of three or more directors. Any director may serve on any such other committee. Any committee created under this section shall serve at the pleasure of the board.

(b) Any committee appointed under this section shall perform such duties and assume such responsibility as the board may delegate to it.

Section 7: Meetings. Time, place, and notice of committee meetings shall be as called and specified by the chief executive officer, the committee chairman, or any two members of each committee.

Section 8: Quorum; Majority Vote. At committee meetings, a majority of the number of members designated by the board of directors shall constitute a quorum for the transaction of business. The act of a majority of the members present at any meeting at which a quorum is present shall be the act of the committee, except as otherwise specifically provided by statute, the articles of incorporation, or these bylaws. If a quorum is not present at a meeting, the members present may adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum is present.

Section 9: Procedure. The executive, audit, compensation, investment and nominating committees shall keep regular minutes of their proceedings and report the same to the board of directors at its next regular meeting. The minutes of the proceedings of the executive, audit, compensation, investment and nominating committees shall be placed in the minute book of the corporation.

Section 10: Action Without Meeting. Any action required or permitted to be taken at a meeting of a committee may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed before or after the action by all of the members of the committee. Such consent shall have the same force and effect as a unanimous vote at a meeting. The signed consent, or a signed copy, shall be placed in the minute book.

Section 11: Telephone and Similar Meetings. Committee members may participate in and hold a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such a meeting shall constitute presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 12: Responsibility. The designation of a committee and the delegation of authority to it shall not operate to relieve the board of directors, or any member thereof, of any responsibility imposed upon it or him by law.

ARTICLE 5: NOTICE

Section 1: Method. Whenever by statute, the articles of incorporation, these bylaws, or otherwise, notice is required to be given to a director, committee member, or security holder, and no provision is made as to how the notice shall be given, it shall not be construed to mean personal notice, but any such notice may be given: (a) in writing, by first class mail, postage prepaid, addressed to the director, committee member, or security holder at the address appearing on the books of the corporation; or (b) in any other method permitted by law. Any notice required or permitted to be given by mail shall be deemed given at the time when the same is thus deposited in the United States mail.

Section 2: Waiver. Whenever, by statute or the articles of incorporation or these bylaws, notice is required to be given to a security holder, committee member, or director, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated in such notice, shall be equivalent to the giving of such notice. Attendance at a meeting shall constitute a waiver of notice of such meeting, except where a person attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE 6: OFFICERS

Section 1: Number; Qualification; Election; Term.

(a) The corporation shall have (1) a chief executive officer, president or chief operating officer, one or more vice presidents, a secretary, a treasurer and (2) such other officers and assistant officers as the board of directors may think necessary.

(b) Officers named by bylaw Article 6, Section 1(a) (1), shall be elected by the board of directors on the expiration of an officer’s term or whenever a vacancy exists. Officers named in bylaw Article 6, Section 1 (a) (2) may be elected by the board at any meeting.

(c) Unless otherwise specified by the board at the time of election or appointment, or in an employment contract approved by the board, each officer’s term shall end at the first meeting of directors after the next annual meeting of shareholders. He shall serve until the end of his term, or if earlier, his death, resignation, or removal.

(d) Any two or more offices may be held by the same person.

Section 2: Removal. Any officer elected or appointed by the board of directors may be removed by two-thirds (2/3) vote of the board of directors or the executive committee whenever, in its judgment, the best interests of the corporation will be served thereby. Such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer shall not of itself create contract rights.

Section 3: Vacancies. Any vacancy occurring in any office of the corporation (by death, resignation, removal, or otherwise) may be filled by the board of directors.

Section 4: Authority. Officers shall have such authority and perform such duties in the management of the corporation as are provided in these bylaws or as may be determined by resolution of the board of directors not inconsistent with these bylaws.

Section 5: Compensation. The compensation of officers shall be fixed from time to time by the board of directors or as they may delegate.

Section 6: Chief Executive Officer. The position of chief executive officer may be filled by the board at its pleasure. The chief executive officer shall be responsible for the general and active management of the business and affairs of the corporation, and shall see that all orders and resolutions of the board are carried into effect. He shall perform such other duties and have such other authority and powers as the board of directors may from time to time prescribe. The board may also appoint an acting chief executive officer to assume the duties of the chief executive officer whenever the chief executive officer is temporarily unable to perform his duties or when the office of chief executive officer is vacant.

Section 7: President. The president shall preside at all meetings of the shareholders and the board in the absence of the chairman of the board, the chief executive officer, and the acting chief executive officer. He shall perform such other duties and have such other authority and powers as the board of directors may from time to time prescribe or as the chief executive officer may from time to time delegate. In the event no other person is designated chief executive officer or acting chief executive officer, or in the event those offices are vacant either temporarily or otherwise, during such period the president shall assume the duties of those offices.

Section 8: Chief Operating Officer. The chief operating officer shall supervise and review the day to day operations of the corporation and its subsidiaries other than those operations that are reported directly to the chief executive officer, and recommend to the chief executive officer changes that he deems desirable or that he deems merit review by the board. He shall perform such other duties and have such other authority and powers as the board of directors may from time to time prescribe or as the chief executive officer or president may from time to time delegate. In the event no other person is designated chief executive officer, acting chief executive officer and/or president, or in the event those offices are vacant either temporarily or otherwise, during such period the chief operating officer shall assume the duties of those offices.

Section 9: Chief Financial Officer. The chief financial officer shall be the corporation's principal financial officer and shall supervise the investment and reinvestment of the corporation's assets and review the management of the assets of the corporation and its subsidiaries and recommend to the chief executive officer changes that he deems desirable or that he deems merit review by the board. He shall perform such other duties and have such other authority and powers as the board of directors may from time to time prescribe or as the chief executive officer or president may from time to time delegate. In the event no other person is designated chief executive officer, acting chief executive officer, president and/or chief operating officer, or in the event those offices are vacant either temporarily or otherwise, during such period the chief financial officer shall assume the duties of those offices.

Section 10: Vice Presidents. The executive vice president and vice presidents, in the order of their seniority, unless otherwise determined by the board of directors, shall, in the absence or disability of the chief executive officer, president, chief operating officer and/or chief financial officer, perform the duties and have the authority and exercise the powers of such offices. They shall perform such other duties and have such other authority and powers as the board of directors may from time to time prescribe or as the chief executive officer or president may from time to time delegate.

Section 11: Corporate Secretary.

(a) The secretary shall attend all meetings of the board of directors and all meetings of the shareholders and record all votes, actions, and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the executive and other committees when required.

(b) He shall give, or cause to be given, notice of all meetings of the shareholders and special meetings of the board of directors.

(c) He shall keep in safe custody the seal of the corporation and, when authorized by the board of directors or the executive committee, affix it to any instrument requiring it. When so affixed, it shall be attested by his signature or by the signature of the treasurer or an assistant secretary.

(d) He shall perform such other duties and have such other authority and powers as the board of directors may from time to time prescribe or as the chief executive officer or president may from time to time delegate.

Section 12: Assistant Corporate Secretary. The assistant secretaries in the order of their seniority, unless otherwise determined by the board of directors, shall, in the absence or disability of the secretary, perform the duties and have the authority and exercise the powers of the secretary. They shall perform such other duties and have such other powers as the board of directors may from time to time prescribe or as the chief executive officer or president may from time to time delegate.

Section 13: Treasurer.

(a) The treasurer shall have custody of the corporation funds and securities and shall keep full and accurate accounts of receipts and disbursements of the corporation and shall deposit all monies and other valuables in the name and to the credit of the corporation in depositories designated by the board of directors.

(b) He shall disburse the funds of the corporation as ordered by the board of directors, and prepare financial statements as they direct.

(c) He shall perform such other duties and have such other authority and powers as the board of directors may from time to time prescribe or as the chief executive officer or president may from time to time delegate.

(d) His books and accounts shall be opened at any time during business hours to the inspection of any director of the corporation.

Section 14: Assistant Treasurer. The assistant treasurers in the order of their seniority, unless otherwise determined by the board of directors, shall, in the absence or disability of the treasurer, perform the duties and have the authority and exercise the powers of the treasurer. They shall perform such other duties and have such other powers as the board of directors may from time to time prescribe or the chief executive officer or president may from time to time delegate.

Section 15: General Counsel. The general counsel of the corporation shall prepare such contracts and agreements required in the business of the corporation as may be referred to him by its officers, and shall inspect and pass upon all such instruments presented to the corporation as may be of sufficient importance to justify such examination; also, he shall advise the officers of the corporation in all such legal matters pertaining to the affairs of the corporation as may require his consideration. He shall perform such other duties and have such other authority and powers as the board of directors may from time to time prescribe or as the chief executive officer or president may from time to time delegate.

ARTICLE 7: CERTIFICATES AND SHAREHOLDERS

Section 1: Certificates. Certificates in the form determined by the board of directors shall be delivered representing all shares to which shareholders are entitled. Certificates shall be consecutively numbered and shall be entered in the books of the corporation as they are issued. Each certificate shall state on its face the holder's name, the number and class of shares, the par value, and such other matters as may be required by law. It shall be signed by the president or a vice president and such other officer or officers as the board of directors shall designate, and may be sealed with the seal of the corporation or a facsimile thereof. If a certificate is countersigned by a transfer agent, or an assistant transfer agent, or registered by a registrar (either of which is other than the corporation or an employee of the corporation), the signature of any officer may be facsimile.

Section 2: Issuance. Shares (both treasury and authorized but unissued) may be issued for such consideration (not less than par value) and to such persons as the board of directors may determine from time to time. Shares may not be issued until the full amount of the consideration has been paid as provided by law.

Section 3: Payment of Shares.

(a) Kind. The consideration for the issuance of shares shall consist of money paid, labor done (including services actually performed for the corporation), or property (tangible or intangible) actually received. Neither promissory notes nor the promise of future services shall constitute payment of shares.

(b) Valuation. In the absence of fraud in the transaction, the judgment of the board of directors as to the value of consideration received shall be conclusive.

(c) Effect. When consideration, fixed as provided by law, has been paid, the shares shall be deemed to have been issued and shall be considered fully paid and non-assessable.

(d) Allocation for Consideration. The consideration received for shares shall be allocated by the board of directors, in accordance with law, between stated capital and capital surplus accounts.

Section 4: Subscriptions. Unless otherwise provided in the subscription agreement, subscriptions for shares, whether made before or after organization of the corporation, shall be paid in full at such time or in such installments and at such times as shall be determined by the board of directors. Any call made by the board of directors for payment on subscriptions shall be uniform as to all shares of the same series. In case of default in the payment on any installment or call when payment is due, the corporation may proceed to collect the amount due in the same manner as any debt due to the corporation.

Section 5: Lien. For any indebtedness of a shareholder to the corporation with respect to his stock, the corporation shall have a first and prior lien on all shares of its stock owned by him and on all dividends or other distributions declared thereon.

Section 6: Lost, Stolen, or Destroyed Certificates. The corporation shall issue a new certificate in place of any certificate for shares previously issued if the registered owner of the certificate:

(a) Claim. Makes proof in affidavit form that it has been lost, destroyed, or wrongfully taken; and

(b) Timely Request. Requests the issuance of a new certificate before the corporation has notice that the certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim; and

(c) Bond. Gives a bond in such form, and with such surety or sureties, with fixed or open penalty, as the corporation may direct, to indemnify the corporation (and its transfer agent and registrar, if any) against any claim that may be made on account of the alleged loss, destruction, or theft of the certificate; and

(d) Other Requirements. Satisfies any other reasonable requirements imposed by the corporation.

When a certificate has been lost, apparently destroyed, or wrongfully taken, and the holder of record fails to notify the corporation within a reasonable time after he has notice of it, and the corporation registers a transfer of the shares represented by the certificate before receiving such notification, the holder of record is precluded from making any claim against the corporation for the transfer or for a new certificate.

Section 7: Registration of Transfer. The corporation shall register the transfer of a certificate for shares presented to it for transfer if:

(a) Endorsement. The certificate is properly endorsed by the registered owner or by his duly authorized attorney; and

(b) Guarantee and Effectiveness of Signature. The signature of such person has been guaranteed by a commercial bank or brokerage firm that is a member of the National Association of Securities Dealers and reasonable assurance is given that such endorsements are effective; and

(c) Adverse Claims. The corporation has no notice of an adverse claim or has discharged any duty to inquire into such a claim; and

(d) Collection of Taxes. Any applicable law relating to the collection of taxes has been complied with.

Section 8: Registered Owner. Prior to due presentment for registration of transfer of a certificate for shares, the corporation may treat the registered owners as the person exclusively entitled to vote, to receive notices, and otherwise to exercise all the rights and powers of a shareholder.

Section 9: Preemptive Rights. No shareholder or other person shall have any preemptive right whatsoever.

ARTICLE 8: GENERAL PROVISIONS

Section 1: Dividends and Reserves.

(a) Declaration and Payment. Subject to statute and the articles of incorporation, dividends may be declared by the board of directors at any regular or special meeting and may be paid in cash, in property, or in shares of the corporation. The declaration and payment shall be at the discretion of the board of directors.

(b) Record Date. The board of directors shall fix in advance a record date for the purpose of determining shareholders entitled to receive payment of any dividend, the record date to be not more than fifty days prior to the payment date of such dividend, and shall close the stock transfer books for such purpose on such record date.

(c) Reserves. By resolution the board of directors may create such reserve or reserves out of the earned surplus of the corporation as the directors from time to time, in their discretion, think proper to provide for contingencies, or to equalize dividends, or to repair or maintain any property of the corporation, or for any other purpose they think beneficial to the corporation. The directors may modify or abolish any such reserve in the manner in which it was created.

Section 2: Books and Records. The corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its shareholders and board of directors, and shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of the shares held by each.

Section 3: Checks and Notes. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

Section 4: Fiscal Year. The fiscal year of the corporation shall be the same as the calendar year.

Section 5: Seal. The corporation seal (of which there may be one or more exemplars) shall contain the name of the corporation and the name of the state of incorporation. The seal may be used by impressing it or reproducing a facsimile of it, or otherwise.

Section 6: Indemnification and Insurance. The corporation shall indemnify officers and directors of the corporation and its subsidiaries to the extent permitted by South Carolina law and may insure such persons against liability arising out of or relating to their employment by the corporation in an amount and according to such terms as the Board deems prudent.

Section 7: Resignation. Any director, committee member, or officer may resign by giving written notice to the president or the secretary. The resignation shall take effect at the time specified therein, or immediately if no time is specified. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 8: Amendment of Bylaws.

(a) These bylaws may be altered, amended, or repealed at any meeting of the board of directors at which a quorum is present, by a majority vote of the directors then in office, provided notice of the proposed alteration, amendment, or repeal is contained in a notice of the meeting.

(b) These bylaws may also be altered, amended, or repealed at any meeting of the shareholders at which a quorum is present or represented, by the affirmative vote of the holders of a majority of each class of shares entitled to vote thereon, provided notice of the proposed alteration, amendment, or repeal is contained in the notice of the meeting.

Section 9: Construction. Whenever the context so requires, the masculine shall include the feminine and neuter, and the singular shall include the plural, and conversely. If any portion of these bylaws shall be invalid or inoperative, then, so far as is reasonable and possible:

(a) The remainder of these bylaws shall be considered valid and operative, and

(b) Effect shall be given to the intent manifested by the portion held invalid or inoperative.

Section 10: Heading. The headings are for organization, convenience, and clarity. In interpreting these bylaws, they shall be subordinated in importance to the other written material.

Section 11: Relation to Articles of Incorporation. These bylaws are subject to, and governed by, the articles of incorporation.

Exhibit 31.1

CERTIFICATIONS

I, Charles H. Powers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Seibels Bruce Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2003

By /s/ CHARLES H. POWERS

Charles H. Powers
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Bryan D. Rivers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Seibels Bruce Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2003

By /s/ BRYAN D. RIVERS

Bryan D. Rivers
Treasurer and Controller (Principal Accounting Officer)

Exhibit 32

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

The undersigned, who are the chief executive officer and the principal accounting officer of The Seibels Bruce Group, Inc., each hereby certifies that, to the best of his knowledge, the accompanying Form 10-Q of the issuer fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Date: November 14, 2003	By /s/ CHARLES H. POWERS Charles H. Powers *Chief Executive Officer*
Date: November 14, 2003	By /s/ BRYAN D. RIVERS Bryan D. Rivers, CPA *Treasurer and Controller (Principal Accounting Officer)*

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