SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **2004-08-12** | Period of Report: **2004-06-30**
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FILER

PROFESSIONALS DIRECT INC

CIK:**1158269**| IRS No.: **38275579** | State of Incorp.:**MI** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-49786** | Film No.: **04970701**
SIC: **6411** INSURANCE AGENTS, BROKERS & SERVICE

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U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(MARK ONE)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2004

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

Commission File Number: **000-49786**

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

Michigan (State or Other Jurisdiction of Incorporation or Organization)	**38-3324634** (I.R.S. Employer Identification No.)
161 Ottawa Ave., N.W., Suite 607 **Grand Rapids, Michigan 49503** (Address of Principal Executive Offices)	**(616) 456-8899** (Issuer's Telephone Number, Including Area Code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ___

There were 333,500 shares of Common Stock outstanding as of July 31, 2004.

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Transitional Small Business Disclosure Format (check one): Yes ____ No__X__.

PROFESSIONALS DIRECT, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

June 30,		**2004**
		(000)
Assets		
Fixed maturities available for sale, at fair value	$	**32,569**
Other invested asset, at cost which approximates fair value		**269**
Total investments		**32,838**
Cash and cash equivalents		**6,172**
Receivables:		

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Amounts due from reinsurers		**4,212**
Other		**2,155**
Prepaid reinsurance premiums		**2,969**
Deferred acquisition costs		**1,627**
Net deferred federal income taxes		**1,377**
Other assets		**1,011**
		19,523
Total Assets	$	**52,361**
Liabilities and Shareholders' Equity		
Liabilities		
Loss and loss adjustment expense reserves	$	**17,231**
Unearned premiums		**11,202**
Amounts due to reinsurers		**2,467**

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Lines of credit		**3,857**
Other liabilities		**1,523**
Accrued interest		**1,454**
Surplus certificates		**2,531**
Trust preferred securities		**2,000**
Total Liabilities		**42,265**
Shareholders' Equity		
Preferred stock, no par (500,000 shares authorized, no shares issued)		**-**
Common stock, no par (5,000,000 shares authorized, 333,500 shares issued and outstanding)		**3,206**
Retained earnings		**7,223**
Accumulated other comprehensive loss		**(333)**
Total Shareholders' Equity		**10,096**
Total Liabilities and Shareholders' Equity	$	**52,361**

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See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	**2004**	2003
	(000)	(000)	**(000)**	(000)
Revenues				
Net premiums earned	**$ 4,007**	$ 3,745	**$ 7,847**	$ 6,280
Fees and commissions earned	**127**	127	**256**	242
Net investment income	**218**	406	**416**	565
Finance and other income earned	**37**	31	**79**	60
Total revenues	**4,389**	4,309	**8,598**	7,147
Expenses				
Losses and loss adjustment expenses	**2,864**	1,842	**5,151**	3,368

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Operating and administrative	**1,112**	1,399	**2,526**	2,446
Interest	**115**	71	**233**	140
Total expenses	**4,091**	3,312	**7,910**	5,954
Income before federal income taxes	**298**	997	**688**	1,193
Federal Income Taxes	**98**	337	**232**	412
Net income	**200**	660	**456**	781
Other Comprehensive Income (Loss) (Net of tax (benefit) of ($233), $5, ($114) and $24, respectively)	**(452)**	10	**(222)**	46
Comprehensive income (loss)	**$ (252)**	$ 670	**$ 234**	$ 827
Per share of common stock:				
	$ .60	$ 1.98	**$ 1.37**	$ 2.34

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Basic and diluted net income per share

Basic and diluted comprehensive income (loss) per share	**(.76)**	2.01	**..70**	2.48

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2004	2003
	(000)	(000)
Operating Activities		
Net income	**$ 455**	$ 781
Adjustments to reconcile net income to net cash from operating activities:		
Deferred federal income taxes	**(131)**	59
Realized gains	**(1)**	(196)
Depreciation and amortization	**515**	343

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Changes in operating assets and liabilities:		
Amounts due from reinsurers	**(1,846)**	670
Other receivables	**(215)**	(328)
Prepaid reinsurance premiums	**(1,194)**	(952)
Deferred acquisition costs	**2**	(1,024)
Other assets	**(24)**	35
Loss and loss adjustment expense reserves	**3,770**	1,363
Amounts due to reinsurers	**1,974**	828
Unearned premiums	**734**	5,764
Other liabilities	**(362)**	1,037
Accrued interest	**71**	67
Net cash from operating activities	**3,748**	8,447
Investing Activities		
Cost of fixed maturities acquired	**(7,040)**	(15,146)
Proceeds from sales or maturities of fixed maturities	**2,893**	8,202

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Cost of property and equipment acquired		**(18)**		(96)
Net cash for investing activities		**(4,165)**		(7,040)
Financing Activities				
Net borrowings (repayments) under lines of credit		**(417)**		269
Net cash from (for) financing activities		**(417)**		269
Net Increase (Decrease) in Cash and Cash Equivalents		**(834)**		1,676
Cash and Cash Equivalents, beginning of period		**7,006**		4,442
Cash and Cash Equivalents, end of period	**$**	**6,172**	$	6,118
Supplemental Disclosures of Cash Flow Information				
Federal income tax payments - net	**$**	**927**	$	114

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Interest payments	**162**	73

See accompanying notes to condensed consolidated financial statements.

PROFESSIONALS DIRECT, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (Professionals Direct Insurance Company (PDIC), a property and casualty insurance company providing professional liability insurance to attorneys; Professionals Direct Employer Organization, Inc., an inactive Michigan professional employer organization; Professionals Direct Finance, Inc. (Finance), a premium finance company; Professionals Direct Insurance Services, Inc. (Services), a company providing underwriting, claims, accounting, information technology services and selling professionals liability and other insurance), plus Lawyers Direct Risk Purchasing Group which the company controls.

The condensed consolidated financial statements and notes as of and for the three and six-month periods ended June 30, 2004 and 2003 are unaudited. The condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals and a reclassification) that are, in the opinion of management, necessary for the fair presentation of the financial position, results of operations and cash flows for the interim periods. The results of operations for the interim periods should not be considered indicative of results to be expected for the full year.

2. Income per Share

Basic income per share is computed by dividing net income or loss by the weighted average number of shares of common stock outstanding for the period (333,500 for the six months ended June 30, 2004 and 2003). Diluted income per share is equal to basic income per share as there are no stock options or other dilutive instruments outstanding.

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Item 2. Management's Discussion and Analysis

The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and the notes thereto included elsewhere in this report. The following discussion of our financial condition and results of operations contains certain forward-looking statements. A discussion of the limitations of forward-looking statements appears at the end of this section.

Introduction

The increase in earned premiums in the first half of 2004 resulted from the increase in policies written by PDIC in 2003. This increase in policies written combined with greater claims frequency and severity has resulted in increased loss and loss adjustment expenses in 2004 as compared to 2003. Operating and administrative expenses also increased in the first half of 2004, but at a much lower rate than earned premiums because of ceding commissions under PDIC's 2004 reinsurance treaties. The following table and discussion compares the financial results for 2004 and 2003:

	Six Months Ended June 30,			
	2004	2003	Change	Percent Change
	(in thousands of dollars, except for per share data)			
Revenues:				
Net premiums earned	$ 7,847	$ 6,280	$ 1,567	25.0%
Fees and commissions earned	256	242	14	5.8%
Net investment income	416	565	(149)	(26.4%)
Finance and other income earned	79	60	19	31.7%
Total Revenues	8,598	7,147	1,451	20.3%
Expenses:				

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Losses and loss adjustment expenses	5,151	3,368	1,783	52.9%
Operating and administrative	2,526	2,446	80	3.3%
Interest	233	140	93	66.4%
Total Expenses	7,910	5,954	1,956	32.9%
Income before federal income taxes	688	1,193	(505)	(42.3%)
Federal income taxes	232	412	(180)	(43.7%)
Net income	$ 456	$ 781	$ (325)	(41.6%)
Selected Balance Sheet Data: (at end of period)				
Total investments and cash	$ 39,010	$ 31,148	$ 7,862	25.2%
Total assets	52,361	40,924	11,437	27.9%
Total liabilities	42,265	32,782	9,483	28.9%
Total shareholders' equity	10,096	8,142	1,954	24.0%
Per Share Data:				
Net income	$ 1.37	$ 2.34	$ (0.97)	(41.5%)
Book value	$ 30.27	$ 24.41	$ 5.86	24.0%

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***Results of Operations (000 omitted)*:**

The following is a summary and analysis of the material revenue and expense components of our operational results for the second quarter of 2004.

Net premiums earned. Net premiums earned are equal to direct premiums earned (premiums earned for policies written) less ceded premiums earned (amounts ceded to reinsurers). The increase in net premiums earned primarily resulted from an increase in direct premiums written in 2003 offset, in part, by higher ceded premiums on 2004 business. The following is a summary of premiums written by PDIC:

	Six Months Ended June 30,			
	2004	2003	Change	Percent Change
	(in thousands of dollars)			
Direct premiums written	$ 12,642	$ 13,453	$ (811)	(6.0%)
Net premiums written	7,387	11,093	(3,706)	(33.4%)

Direct premiums written decreased 6.0% from the same period a year ago. During the second quarter, direct premiums written decreased $983 compared to the second quarter of 2003. However, PDIC's new business premium writings in the first half of 2004 were significantly less than the first half of 2003 due, in part, to the absence of significant disruptions in the markets in which PDIC operates. For policies written in 2004, PDIC decreased its retention by purchasing more reinsurance from third party reinsurers. This action will reduce PDIC's 2004 net written premium and, prospectively, is expected to reduce net earned premiums.

Fee and Commissions Earned. We earn fee and commission income from two sources. The first source is membership fees earned by Lawyers Direct Risk Purchasing Group, an affiliate organized and managed by Services, as part of the Lawyers Direct® program for one to five person law firms. The second source is principally commissions earned by Services from placing insurance with unrelated third parties. Fee and commission income earned was $256 in the first half of 2004, an increase of $14 or 5.8%, compared to 2003.

Net Investment Income. Net investment income is comprised of interest on fixed maturity investments and realized investment gains and losses. The investment income decrease of $149 or 26.4% in the first half of 2004 as compared to 2003 is largely attributable to realized gains in 2003 that did not recur in 2004.

Finance and Other Income Earned. Finance income is generated from premium financing incidental to the sale of PDIC's insurance policies. Premium financing is offered to PDIC policyholders in Michigan and selected other states. Premium finance income increased during the first half of 2004 as compared to 2003 and is expected to continue to increase modestly through the remainder of 2004 as premium financing is provided in additional states.

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Losses and Loss Adjustment Expenses. The loss ratio for the first half of 2004 was 65.6% compared to 53.6% for the first half of 2003. This loss ratio increase resulted from greater claims frequency and severity that was intensified by the reduction in retained premium. The loss ratio is the sum of the losses and loss adjustment expenses incurred expressed as a percentage of net premiums earned. During the first half of 2004, PDIC recorded losses and loss adjustment expenses of $5,151 of which $4,927 was for claims which were made and reported in the current year and $224 was for claims which were made and reported in years prior to 2004. During the first half of 2003, PDIC recorded losses and loss adjustment expenses of $3,368 of which the entire amount was for claims which were made and

reported in that year. Overall profitability is in great part determined by the loss estimate for the current year plus the favorable or adverse development of prior report year reserves.

PDIC is required to maintain reserves for payment of losses and loss adjustment expenses for reported claims and for claims incurred but not reported, arising from policies that have been issued. PDIC provides for the ultimate cost of those claims without regard to how long it takes to settle them or the time value of money. The determination of reserves involves actuarial and statistical projections of what PDIC expects to be the cost of the ultimate settlement and administration of such claims based on facts and circumstances then known, estimates of future trends in claim severity, and other variable factors such as inflation and changing judicial theories of liability. As part of the process of establishing those estimates, the following should be noted:

(a) Estimates of the loss reserve liability are reviewed by independent actuaries twice a year. Various methodologies are used to calculate the appropriate amount of the loss reserve liability that should be recorded each year.

(b) In the years after a claim is reported, there is a significant amount of uncertainty over what the ultimate loss will be. Therefore, estimating the loss reserve liability for claims recently reported tends to be more difficult. As claims get older, the loss reserve liabilities may be estimated with less inaccuracy, but are still subject to material fluctuations until the claims are paid or otherwise closed. Eventually, all claims in a particular year are closed and no additional development, favorable or adverse, will be experienced because the amount of the claims is certain.

(c) A factor that impacts incurred losses is reserve development from prior years. Favorable or adverse development occurs when subsequent estimates of the loss reserve liability change. A subsequent decrease in estimate results in favorable development; a subsequent increase in estimate results in adverse development. Favorable or adverse development is reflected as a decrease or increase in the current year's loss and loss adjustment expenses.

The estimation of ultimate liability for losses and loss adjustment expenses is an inherently uncertain process and does not represent an exact calculation of that liability. PDIC's current reserve policy recognizes this uncertainty by maintaining bulk reserves or case supplement reserves to provide for the possibility that actual results may be less favorable compared to the estimated costs relative to the normal case reserve estimation process. The bulk reserve is determined by estimating the ultimate liability for the claims which have been made and reported and then subtracting the case reserves. PDIC does not discount its reserves to recognize the time value of money.

When a claim is reported to PDIC, claims personnel establish a case reserve for the estimated amount of the ultimate payment. This estimate reflects an informed judgment based upon general insurance reserving practices and on the experience and knowledge of the estimator regarding the nature and value of the specific claim, the severity of injury

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or damage, and the policy provisions relating to the type of loss. The claims staff periodically adjusts case reserves as more information becomes available.

Each quarter, PDIC computes its estimated liability using appropriate principles and procedures. Because the establishment of loss reserves is an inherently uncertain process, however, there can be no assurance that losses will not exceed reserves. Adjustments in aggregate reserves, if any, are reflected in the operating results of the period during which such adjustments are made. As required by insurance regulatory authorities, PDIC annually receives a statement of opinion from its appointed actuary concerning the reasonableness of its reserves.

Operating and Administrative Expenses. Operating and administrative expenses for the first half of 2004 compared to the first half of 2003 increased $80 or 3.3%. This increase is the result of increased

costs associated with the increase in net premiums earned offset by the effects of ceding commissions earned. Expenses increased at a lesser rate than earned premiums because of economies of scale.

Interest Expense. Interest expense for the first half of 2004 increased $93 from the same period of 2003, primarily the result of the increased outstanding line of credit balance.

Income Taxes. The effective federal income tax rate was 33.7% for 2004 and 34.5% for 2003, both of which approximate the expected rate.

Financial Condition, Liquidity, and Capital Resources (000 omitted)**:**

The primary sources of liquidity, on both a short-term and long-term basis, are funds provided by insurance premiums collected, net investment income, recoveries from reinsurance, and proceeds from the maturity or sale of invested assets. The primary uses of cash, on both a short-term and long-term basis, are losses, loss adjustment expenses, operating expenses, reinsurance premiums, taxes, debt repayment and acquisition of investments.

Trends or uncertainties that may have an impact on short-term or long-term liquidity include changes in the cost and availability of reinsurance, changes in interest rates and changes in investment income. As the costs of obtaining reinsurance may change in the future, we intend to adjust the rates we charge our customers. However, such rate changes may be limited by competition. We believe that we will be able to manage reinsurance costs so the impact on overall liquidity is minimized.

When interest rates decline, the cost of borrowing decreases and the market value of our investment portfolio, which primarily consists of debt securities, generally increases. At the same time, the overall yield on new investments tends to decrease. When interest rates increase, the opposite effects are realized. While interest rates continue to be at historically low levels, they are starting to increase. We believe that it is unlikely material gains will be realized on portfolio assets or be a source of liquidity during 2004.

Net cash flow from operations for the first six months of 2004 was $3,748 compared to $8,447 for the first half of 2003, a decrease of $4,699. This decrease is the result of written premiums leveling-off and an increase in premiums ceded to reinsurers. This cash flow plus existing cash was invested in fixed maturities which resulted in negative cash flow from investing activities of $4,165 for the first six months of 2004. Cash used for financing activities in the first half of 2004 was $417, the result of net repayments under the lines of credit. In the same period last year, the net borrowings increased $269.

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At June 30, 2004, cash and cash equivalents totaled $6,172. This represents liquid assets necessary to meet operating, loss and reinsurance payments. It is expected that cash and cash equivalents will be maintained at approximately this level to meet cash flow needs for the balance of 2004.

To provide additional liquidity, we have three lines of credit available from a bank. The first line is a $1,800 revolving line used by Finance to finance insurance premiums and bears interest at .5% over the bank's prime rate. The second line is for $1,000, which can be used for potential acquisitions, and bears interest at 1% over the bank's prime rate. The third line is a $3,000 facility that requires quarterly principal payments of $150 which began on April 1, 2004 and matures October 1, 2006. These lines of credit require, among other things, that we maintain a minimum tangible net worth of $7,500, that PDIC maintain a minimum surplus of not less than 240% of the Authorized Control Level Risk Based Capital (as defined by the National Association of Insurance Commissioners), and that we deliver periodic financial reports to the bank. The bank has a security interest in substantially all assets of the Company, Services and Finance. In addition, the shares of PDIC are pledged, subject to the rights of policyholders under insurance laws and the rights of insurance regulators.

Based on historical trends, market conditions and our business plans, we believe that our existing resources and sources of funds will be sufficient to meet our short-term and long-term liquidity needs over the next year and beyond. Because economic, market and regulatory conditions may change, however, there can be no assurance that our funds will be sufficient to meet these liquidity needs. In addition, competition, pricing, the frequency and severity of losses and interest rates could significantly affect our short-term and long-term liquidity needs.

Critical Accounting Estimates and Judgments

The consolidated financial statements include certain amounts, based upon informed estimates and judgments made by management, for transactions not yet complete or for which the ultimate resolution is not certain. Such estimates and judgments affect the reported amounts in the financial statements. Although management believes that they are making the best decisions based upon information then available, it is possible that as conditions and experience develop, these estimates may change and may be materially different from originally reported in the financial statements. Our reserves for unpaid loss and loss adjustment expenses represent the most critical estimate present within the financial statements.

Forward-Looking Statements:

This discussion and analysis of financial condition and results of operations, and other sections of this report, contain forward-looking statements, including, but not limited to, statements relating to our business objectives and strategy. Such forward-looking statements are based on current expectations, management beliefs, certain assumptions made by our management, and estimates and projections about our industry. Words such as "believes," "estimates," "expects," "forecasts," "intends," "judgment," "objective," "plans," "predicts," "projects," variations of such words and similar expressions are intended to identify such forward-looking statements. Determination of loss and loss adjustment expense reserves and amounts due from reinsurers are based substantially on estimates and the amounts so determined are inherently forward-looking.

Forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict with respect to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may differ materially from those expressed, forecasted, or contemplated by any such

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forward-looking statements. Other factors, some of which are listed below, also influence our results of operations, financial condition and business:

- future economic conditions and the legal and regulatory environment in the markets served by the Company's subsidiaries;
- reinsurance market conditions, including changes in pricing and availability of reinsurance;
- financial market conditions, including, but not limited to, changes in interest rates and the values of investments;
- inflation;
- credit worthiness of the issuers of investment securities, reinsurers and others with whom the Company and its subsidiaries do business;
- estimates of loss reserves and trends in losses and loss adjustment expenses;
- changing competition;
- our ability to execute our business plan;

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the effects of war and terrorism on investments and reinsurance markets;

changes in financial ratings issued by independent organizations, including A.M. Best, Standard & Poors and Moody's;

our ability to enter new markets successfully and capitalize on growth opportunities; and

changes in the laws, rules and regulations governing insurance holding companies and insurance companies, as well as applicable tax and accounting matters.

Changes in any of these factors, or others, could have an adverse affect on the business, results of operations, or business of the Company or its subsidiaries. Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Vice President of Finance, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report on Form 10-QSB (the "Evaluation Date"). Based on and as of the Evaluation Date, the Company's management, including the Chief Executive Officer and Vice President of Finance, concluded that the Company's disclosure controls and procedures were designed and effective to ensure that information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic filings with the Securities and Exchange Commission is properly recorded, processed, summarized and reported in a timely manner. During the last fiscal quarter there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

On May 11, 2004, the Company held its 2004 Annual Meeting of Shareholders. The purpose of the meeting was to elect three directors for terms expiring in 2007.

Three candidates nominated by the Governance Committee of the Board of Directors were elected by the shareholders to serve as directors of the Company at the meeting. The following sets forth the results of the voting with respect to each candidate:

Name of Candidate	Term Expires	Shares Voted	
Tracy T. Larsen	2007	For	190,676
		Withheld	2,700
		Broker Non-Votes	0
Mary L. Ursul	2007	For	190,676

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		Withheld	2,700
		Broker Non-Votes	0
Julius A. Otten	2007	For	190,676
		Withheld	2,700
		Broker Non-Votes	0

The following directors continued as directors of the Company after the meeting:

Continuing Directors with Terms Expiring in 2006:

David W. Crooks

Stephen M. Westfield

Thomas F. Dickinson

Blake W. Krueger

Continuing Directors with Terms Expiring in 2005:

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Stephen M. Tuuk

Thomas J. Ryan

Joseph A. Fink

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. The following documents are filed as exhibits to this report on Form 10-QSB:

Exhibit No.	Document
3.1	Amended and Restated Articles of Incorporation. Previously filed as an exhibit to the Company's Registration Statement on Form 10-SB/A filed on July 8, 2002. Here incorporated by reference.
3.2	Amended and Restated Bylaws. Previously filed as an exhibit to the Company's Registration Statement on Form 10-SB/A filed on July 8, 2002. Here incorporated by reference.

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31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Vice President of Finance pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This exhibit, except for those portions expressly incorporated by reference in this filing, is furnished for the information of the Commission and is not deemed "filed" as part of this filing.

(b) Reports on Form 8-K. No reports on Form 8-K were filed during the period covered by this report.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Company caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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PROFESSIONALS DIRECT, INC.

Date: August 12, 2004

/s/ Stephen M. Tuuk

Stephen M. Tuuk, President and Chief Executive Officer (authorized to sign on behalf of company)

/s/ Stephen M. Westfield

Stephen M. Westfield, Vice President of Finance (principal financial and accounting officer)

EXHIBIT INDEX

Exhibit No.	Document

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3.2	Amended and Restated Bylaws. Previously filed as an exhibit to the Company's Registration Statement on Form 10-SB/A filed on July 8, 2002. Here incorporated by reference.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Vice President of Finance pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This exhibit, except for those portions expressly incorporated by reference in this filing, is furnished for the information of the Commission and is not deemed "filed" as part of this filing.

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EXHIBIT 31.1
Certification of Chief Executive Officer
Under Sarbanes-Oxley Section 302(a)

I, Stephen M. Tuuk, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Professionals Direct, 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 small business issuer as of, and for, the periods presented in the report;

4. The small business issuer'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 small business issuer 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 small business issuer, 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;

b) Evaluated the effectiveness of the small business issuer'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

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

5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and to the audit committee of the small business issuer's board of directors (or persons fulfilling 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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: August 12, 2004

/s/ Stephen M. Tuuk

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Stephen M. Tuuk
President and
Chief Executive Officer

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EXHIBIT 31.2
Certification of Vice President of Finance
Under Sarbanes-Oxley Section 302(a)

I, Stephen M. Westfield, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Professionals Direct, 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 small business issuer as of, and for, the periods presented in the report;

4. The small business issuer'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 small business issuer 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 small business issuer, 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;

b) Evaluated the effectiveness of the small business issuer'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

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

5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and to the audit committee of the small business issuer's board of directors (or persons fulfilling 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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: August 12, 2004

/s/ Stephen M. Westfield

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Stephen M. Westfield
Vice President of Finance
(principal financial and accounting officer)

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EXHIBIT 32

**CERTIFICATION UNDER SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned, being the Chief Executive Officer and the Vice President of Finance, respectively, of Professionals Direct, Inc., a Michigan corporation (the "Company"), hereby certify, in their capacities as officers of the Company, that the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2004, (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and that the information in such report fairly presents, in all material respects, the financial condition at June 30, 2004, and results of operations of the Company for the periods then ended.

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and for no other purpose and shall not be deemed filed by the Company for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended.

/s/ Stephen M. Tuuk	/s/ Stephen M. Westfield
Stephen M. Tuuk	Stephen M. Westfield
President and Chief Executive Officer	Vice President of Finance
Dated: August 12, 2004	Dated: August 12, 2004

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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