

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 the quarterly period ended September 30, 1997

OR

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

Commission File Number 0-3722

ATLANTIC AMERICAN CORPORATION
Incorporated pursuant to the laws of the State of Georgia

Internal Revenue Service-- Employer Identification No.
58-1027114

Address of Principal Executive Offices:
4370 Peachtree Road, N.E., Atlanta, Georgia 30319
(404) 266-5500

Indicate by check mark whether 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

The total number of shares of the registrant's Common Stock, \$1 par value, outstanding on November 7, 1997, was 18,899,747.

ATLANTIC AMERICAN CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

ASSETS	September 30, 1997	December 31, 1996
Cash, including short-term investments of \$40,787 and 41,614	\$ 47,005	\$ 45,499
Investments:		
Bonds (cost: \$95,482 and \$91,611)	95,815	91,310
Common and preferred stocks (cost: \$18,042 and \$19,748)	43,071	37,762
Mortgage loans	4,281	6,812
Policy and student loans	4,152	6,555
Real estate	46	46
Total investments	147,365	142,485
Receivables:		
Reinsurance	24,493	26,854
Other (net of allowance for bad debts: \$876 and (\$1,151))	21,547	16,301
Deferred acquisition costs	16,429	15,179
Other assets	7,001	4,576
Goodwill	1,988	2,100
Total assets	\$265,828	\$252,994
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Insurance reserves and policy funds:		
Future policy benefits	\$ 35,888	\$ 36,385
Unearned premiums	30,225	25,100
Losses and claims	84,379	84,074
Other policy liabilities	4,230	3,639
Total policy liabilities	154,722	149,198
Accounts payable and accrued expenses	7,496	9,049
Debt payable (\$0 and \$1,058 due to affiliates)	32,611	35,611
Total liabilities	194,829	193,858
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$1 par, 4,000,000 shares authorized;		
Series A preferred, 30,000 shares issued and outstanding, \$3,000 redemption value	30	30
Series B preferred, 134,000 shares issued and outstanding, \$13,400 redemption value	134	134
Common stock, \$1 par, 30,000,000 shares authorized;		
18,712,167 shares issued in 1997 and 1996;		
18,613,324 shares outstanding in 1997 and 18,684,217 shares outstanding in 1996	18,712	18,712
Additional paid-in capital	52,921	54,062
Accumulated deficit	(25,836)	(31,426)
Net unrealized investment gains	25,362	17,713
Treasury stock, at cost, 98,843 shares in 1997 and 27,950 shares in 1996	(324)	(89)
Total shareholders' equity	70,999	59,136
Total liabilities and shareholders' equity	\$265,828	\$252,994
	=====	=====

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

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share data)	1997 ----	1996 ----	1997 ----	1996 ----
Revenue:				
Insurance premiums	\$21,950	\$22,542	\$64,953	\$65,384
Investment income	2,915	2,711	8,627	8,269
Realized investment gains, net	344	322	630	1,004
Other income	40	106	69	211
Total revenue	25,249	25,681	74,279	74,868
Benefits and expenses:				
Insurance benefits and losses incurred	14,748	14,903	44,216	42,948
Commissions and underwriting expenses	5,777	6,393	17,569	19,041
Interest expense	726	766	2,197	2,491
Other	1,580	1,450	4,435	4,393
Total benefits and expenses	22,831	23,512	68,417	68,873
Income before income tax expense and discontinued operations	2,418	2,169	5,862	5,995
Income tax expense	(23)	(101)	(83)	(160)
Income from continuing operations	2,395	2,068	5,779	5,835
Loss from discontinued operations	-	-	-	(4,447)
Net income	\$ 2,395	\$ 2,068	\$ 5,779	\$ 1,388
Net income (loss) per common share data:				
Continuing operations	\$ 0.11	\$ 0.09	\$ 0.25	\$ 0.25
Discontinued operations	-	-	-	(0.24)
Net income	\$ 0.11	\$ 0.09	\$ 0.25	\$ 0.01
Weighted average common shares outstanding	18,758	18,869	18,786	18,860

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

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	1997	1996
<i>(In thousands)</i>		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 5,779	\$ 1,388
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Amortization of deferred acquisition costs	5,394	6,243
Acquisition costs deferred	(6,644)	(7,375)
Realized investment gains	(630)	(1,004)
Increase in insurance reserves	5,524	10,998
Depreciation and amortization	959	875
Increase in receivables, net	(2,249)	(9,348)
(Decrease) increase in other liabilities	(2,569)	285
Other, net	(2,706)	1,659
Net cash provided by continuing operations	2,858	3,721
Net cash used by discontinued operations	-	(5,902)
Net cash provided (used) by operating activities	2,858	(2,181)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investments sold or matured	47,935	65,141
Investments purchased	(44,957)	(50,799)
Reduction in minority interest liability payable	(96)	(814)
Additions to property and equipment	(527)	(593)
Sale of Leath	-	4,550
Net cash provided by investing activities	2,355	17,485
Net cash used by discontinued operations	-	(440)
Net cash provided by investing activities	2,355	17,045
CASH FLOWS FROM FINANCING ACTIVITIES:		
Preferred stock dividends	(237)	(237)
Proceeds from exercise of stock options	62	44
Purchase of treasury shares	(532)	(338)
Proceeds from bank financing	5,617	-
Repayments of debt	(8,617)	(7,310)
Net cash used by continuing operations	(3,707)	(7,841)
Net cash provided by discontinued operations	-	6,342
Net cash used by financing activities	(3,707)	(1,499)
Net increase in cash and cash equivalents	1,506	13,365
Cash and cash equivalents at beginning of period	45,499	15,069
Cash and cash equivalents at end of period	\$47,005	\$28,434
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 2,253	\$ 2,491
Cash paid for income taxes	\$ 85	\$ 71

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

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of presentation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. All significant intercompany accounts and transactions have been eliminated in consolidation. Operating results for the nine month period ended September 30, 1997, are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1996.

Note 2. New Accounting Standards.

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128 (SFAS 128), "Earnings Per Share", which becomes effective for periods ending after December 15, 1997. SFAS 128 will require dual presentation of basic and diluted earnings per share (EPS) on the face of the income statement for all entities with complex capital structures and will require restatement of all prior period EPS data presented. The impact of SFAS 128 on the Company's EPS information disclosed in the accompanying financial statement is not material.

In February 1997, the FASB issued Statement of Financial Accounting Standards No. 129 (SFAS 129), "Disclosure of Information About Capital Structure". This Statement is effective for financial statements for periods ending after December 15, 1997. SFAS No. 129 establishes standards for disclosing information about an entity's capital structure. The Company does not anticipate that the implementation of this Statement will have a material impact on the financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results

of Operations

Management's discussion of the financial condition and results of operations for the periods ended September 30, 1997 and 1996 analyzes the results of operations, consolidated financial condition, liquidity and capital resources of Atlantic American Corporation (the "Company") and its consolidated subsidiaries: Georgia Casualty & Surety Company ("Georgia Casualty"), American Southern Insurance Company ("American Southern"), and Bankers Fidelity Life Insurance Company ("Bankers Fidelity" or the "Life and Health Division"). Effective January 1, 1997, Atlantic American Life Insurance Company, which was a wholly-owned subsidiary of the Company, was merged with and into Bankers Fidelity.

The Company's net income for the third quarter of 1997 was \$2.4 million, or \$0.11 per share, compared to net income of \$2.1 million, or \$0.09 per share, for the third quarter of 1996. The Company's net income from continuing operations year-to-date for 1997 was \$5.8 million, or \$0.25 per share, compared to net income of \$5.8 million, or \$0.25 per share, in 1996. The principal reason for the increase in net income over the third quarter of 1996 was a decline in commissions and underwriting expenses of 10%. For the year the increase in net income for the third quarter served to offset the decline in net income experienced in the second quarter of 1997.

Georgia Casualty & Surety Company ("Georgia Casualty") had income before taxes of \$287,000 in the third quarter of 1997 and \$1.3 million year-to-date, compared to \$94,000 in the third quarter of 1996 and \$1.2 million year-to-date. The increase in third quarter operating income is due in large part to an increase in premiums of \$547,000 and an increase in realized investment gains of \$242,000 offset by a combination of an increase in insurance benefits and losses of \$232,000 and an increase in commission and underwriting expenses of \$280,000.

American Southern had income before taxes of \$1.5 million in the third quarter of 1997 and \$4.1 million year-to-date compared to \$1.8 million in the third quarter of 1996 and \$4.7 million for the first nine months of 1996. The decline in pretax income for the third quarter is the result of a 9% decline in insurance premiums mitigated by a 9% decline in insurance benefits and expenses and a 12% decline in commissions and underwriting expenses.

The Life and Health Division had net income of \$1.0 million for the quarter and \$2.0 million for the nine months ended September 30, 1997, compared to \$884,000 and \$2.4 million, respectively, for 1996. The increase in income in the third quarter of 1997 was the result of a \$383,000 reduction in commissions and underwriting expenses offset by an increase of \$289,000 in insurance benefits and losses incurred.

The Company announced on February 21, 1996, its intention to sell its interest in Leath Furniture and its subsidiaries. Therefore, beginning with the fourth quarter of 1995, the Company began reporting the results from its furniture operations as discontinued operations. The Company completed the sale of Leath Furniture on April 8, 1996, which, as anticipated, resulted in a loss. The loss reported for the first nine months of 1996 was \$4.4 million (\$0.24 per share).

RESULTS OF OPERATIONS

Total revenues for the quarter decreased slightly from \$25.7 million to \$25.2 million and from \$74.9 million to \$74.3 million for the nine months ended September 30, 1997. The decline in total revenues for the quarter was attributable to a 3% decline in insurance premiums offset by a 8% increase in investment income. Year-to-date insurance premiums were down less than 1% while investment income was up by 4%. Adversely impacting revenue year-to-date was a reduction in realized investment gains of \$374,000.

The decline in premium revenue for the quarter of \$592,000 was comprised of a declines of \$81,000 in the Life and Health Division and \$1.1 million for American Southern partially offset by an increase in premiums of \$547,000 for Georgia Casualty. The Life and Health Division's decline in premiums was the result of a 3% decrease in the Life lines of business combined with minor growth in the Accident and Health lines. American Southern's decline in premium is the result of a decrease in experienced based premiums on its automobile line of business as a result of lower losses in 1997 compared to 1996. The increase in premiums for Georgia Casualty was principally derived from increases of \$325,000 in the business automobile line and a \$113,000 increase in the general liability line of business.

For the nine months ended September 30, 1997 insurance premiums were down less than 1%, or \$431,000. An increase in premiums of \$530,000 for Georgia Casualty was offset by declines for both American Southern and the Life and Health Division of \$830,000 and \$131,000, respectively. Georgia Casualty experienced a \$1.1 million decline in its workers compensation line of business; however, an increase of \$1.2 million in the business automobile line coupled with \$285,000 and \$158,000 increases in the property and general liability lines, respectively, more than compensated for this decline. The Company believes that the decline in workers' compensation business is the result of a

prolonged soft market for this line which has held premium levels down, resulting in renewal rates that are down by as much as 18% to 25%. The increase in the other casualty lines of business was principally the result of expansions of Georgia Casualty's agency force in these niche markets. The reasons for the year-to-date decline in premiums for both American Southern and the Life and Health Division were the same as for the quarter.

Investment income for the quarter increased \$204,000 and increased \$358,000 for the nine months ended September 30, 1997. Management has continued to focus on investing new funds in short and medium term maturity bonds and government backed securities. The carrying value of funds available for investment (which includes cash and short-term investments, bonds and common and preferred stocks) at September 30, 1997 was up \$11.3 million over year end 1996. The Company has taken the proceeds from the reimbursements of student loans and repayments of mortgage loans of \$2.4 million and \$2.5 million, respectively and increased its investments in common and preferred stocks, bonds and short-term investments.

Realized investment gains were flat for the third quarter and down \$374,000 for the year. The decline in investment gains for the year was due to a market downturn during the first quarter of 1997. Due to unfavorable market conditions at the beginning of the year, the Company chose to hold certain investments rather than sell at undesirable prices during the first half of 1997.

Insurance benefits and losses decreased to \$14.8 million for the third quarter of 1997 from \$14.9 million for the same quarter of 1996 while year-to-date insurance benefits and losses increased to \$44.2 million from \$42.9 million in 1996. Georgia Casualty experienced an increase of \$232,000 for the third quarter and \$187,000 for the nine month period. Insurance benefits and losses at American Southern were down \$676,000 for the quarter and up \$164,000 for the nine months ended September 30, 1997. For the Life and Health Division insurance benefits and losses were up \$289,000 for the quarter and \$918,000 for the year-to-date. These increases were on Bankers' senior products in both life and health lines.

As a percentage of premium revenue, insurance benefits and losses incurred increased to 67.19% in the third quarter of 1997 from 66.11% in 1996 and to 68.07% year-to-date for 1997 from 65.68% for 1996. These results are not necessarily indicative of results to be expected for the year. The timing of significant losses incurred by the insurance operations, coupled with the risks inherent with the estimation of liabilities for unpaid losses can cause results to vary from period to period. The percentage of insurance benefits and losses incurred to premium for the third quarter and year-to date for each of the subsidiaries were as follows:

	QTD		YTD	
	1997	1996	1997	1996
Life and Health Division	59.18%	54.11%	59.96%	54.86%
Georgia Casualty	70.12%	73.38%	66.29%	67.45%
American Southern	70.86%	70.20%	74.02%	71.57%

Commission and underwriting expenses in the first nine months declined to \$17.6 million in 1997 from \$19.0 million in 1996. This decrease was primarily due to a decrease in commissions of \$914,000, a decrease in underwriting expenses of \$488,000 and a net deferral of acquisition costs of \$71,000. The Company periodically reevaluates deferred acquisition costs and their related amortization periods. In 1997 the Company modified its methodology for recording and amortizing certain deferred acquisition costs in both its Life and Health Division and its casualty lines of business. The net effect of this change in estimate contributed to the reduction in commission and underwriting expenses for the year.

Interest expense decreased to \$726,000 and \$2.2 million for the third quarter and first nine months of 1997, respectively, from \$766,000 and \$2.5 million, respectively, for the comparable 1996 periods. Lower interest expense resulted from quarterly repayments on the American Southern acquisition loan and the repayment of \$5.3 million of affiliated debt in April 1996.

LIQUIDITY AND CAPITAL RESOURCES

The Company's insurance subsidiaries reported a combined statutory income of \$2.2 million and \$5.4 million in the third quarter and first nine months, respectively, of 1997, compared to \$1.2 million and \$5.4 million for the same periods in 1996. These statutory results were due to statutory net income of \$559,000 in the Life and Health Division, \$405,000 for Georgia Casualty and \$1.2 million for American Southern. Statutory income for the first nine months of

1997 was \$1.1 million in the Life and Health Division, \$1.2 million for Georgia Casualty, and \$3.1 million for American Southern.

In connection with the acquisition of American Southern on December 31, 1995, the Company entered into a Credit Agreement with Wachovia Bank of Georgia, N.A. ("Wachovia"). At September 30, 1997, the Company's outstanding borrowings under this agreement were approximately \$27.0 million, of which \$1.0 million will become due and payable during the last quarter of 1997. The Company repaid \$3.0 million of outstanding principal during the first nine months of 1997 as

scheduled under the terms of the agreement. The Company intends to repay its obligations under the Credit Agreement using dividend payments received from its subsidiaries and cash settlements from its tax sharing agreement with the subsidiaries.

On May 15, 1997, the Company received additional financing from Wachovia pursuant to its existing Credit Agreement in the amount of \$5.6 million. These funds were used to retire the \$5.6 million in outstanding principal of the Company's 8% Convertible Subordinated Notes, which matured on May 15, 1997. The note payable to Wachovia is due December 31, 2000, and interest is payable quarterly in arrears.

On October 1, 1997, Bankers Fidelity completed its acquisition of American Independent Life Insurance Company. Approximate consideration given was \$2.9 million in cash and a \$700,000 promissory note that matures on March 31, 1999. American Independent Life Insurance Company, which had been headquartered in King of Prussia, Pennsylvania, specializes in traditional life insurance and supplemental health insurance.

On October 31, 1997, the Company acquired 100% of the stock of Self Insurance Administrators, Inc. ("SIA") in exchange for the issuance of approximately \$1.2 million in common stock of the Company. SIA, headquartered in Atlanta, operates as a third party administrator of self-insured companies and public organizations specializing in worker's compensation coverages.

The Company provides certain administrative and other services to each of its insurance subsidiaries. The amounts charged to and paid by the subsidiaries in 1997 remained approximately the same as in 1996. In addition, the Company has a formal tax-sharing agreement between the Company and its insurance subsidiaries. It is anticipated that this agreement will provide the Company with additional funds from profitable subsidiaries due to the subsidiaries' use of the Company's tax loss carryforwards, which totaled approximately \$50.3 million at September 30, 1997. The Company believes that the fees and charges it receives from its subsidiaries and, if needed, borrowings from banks and affiliates of the Company will enable the Company to meet its liquidity requirements for the foreseeable future. Management is not aware of any current recommendations by regulatory authorities that, if implemented, would have a material adverse effect on the Company's liquidity, capital resources, or operations.

American Southern acts as a reinsurer with respect to all of the risks associated with certain automobile policies issued by a state administrative agency and naming the state and various local governmental entities as insureds. Approximately 33% of American Southern's, and 16% of the Company's, premium revenues for the first nine months of 1997 were attributable to one contract. The contract is scheduled to expire on January 31, 1998, and the Company is currently in negotiations to renew the contract. While the Company believes that its relationship with the state agency is good, there can be no assurance that the contract will be renewed for an additional term. The loss of such agency as a customer could have a material adverse effect on the financial condition of the Company.

At September 30, 1997, the Company had a net cumulative deferred tax asset of zero. The net cumulative deferred tax asset consisted of \$25.2 million of deferred tax assets, offset by \$12.4 million of deferred tax liabilities, and a \$12.8 million valuation allowance. Due to the uncertain nature of their ultimate realization based upon past performance and expiration dates, the Company established a full valuation allowance against these carryforward benefits and recognizes the benefits only as reassessment demonstrates they are realizable. The Company's ability to generate taxable income from operations is dependent upon various factors, many of which are beyond management's control. Accordingly, based on historical performance, there can be no assurance that the Company will generate future taxable income. Therefore, the realization of the deferred tax assets will be assessed periodically based on the Company's current and anticipated results of operations.

At September 30, 1997, approximately 95% of the investment assets of the insurance subsidiaries were in marketable securities that can be converted into cash, if required. However, state insurance regulations limit use of such assets by the Company. Dividend payments to the Company by its insurance subsidiaries are also limited by insurance regulations. At September 30, 1997, the subsidiaries' accumulated statutory earnings were as follows: Georgia Casualty had \$12.0 million of accumulated statutory earnings, American Southern had \$18.7 million, Bankers Fidelity had \$21.3. American Southern paid the Company monthly dividends totaling \$900,000 for each quarter of 1997. Bankers Fidelity paid the company a dividend totaling \$1.0 million in the second quarter of 1997.

Net cash provided by operating activities totaled \$2.9 million in 1997, compared to net cash provided by continuing operations of \$3.7 million in the

first nine months of 1996. The decline in cash provided by operations was primarily due to an increase in claims paid at Georgia Casualty of \$622,000 and at Bankers Fidelity of \$868,000. Cash utilized by these subsidiaries was offset by cash provided by American Southern of \$6.5 million.

Cash and short-term investments increased from \$45.5 million at December 31, 1996, to \$47.0 million at September 30, 1997. This increase was due to cash generated from operations. Total investments (excluding short-term investments) increased to \$147.4 million at September 30, 1997, from \$142.5 million at December 31, 1996, due to additional investment purchases, primarily bonds, made during the third quarter.

PART II. OTHER INFORMATION

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES

Item 6. Exhibits and Reports on Form 8-K.

(a) The following exhibits are filed herewith:

Exhibit 11. Computation of net income per common share.

Exhibit 27. Financial data schedule.

Exhibit 99.1 Press release dated October 2, 1997.

Exhibit 99.2 Press release dated October 28, 1997.

(b) No reports on Form 8-K were filed with the Securities and Exchange Commission during the third quarter of 1997.

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.

ATLANTIC AMERICAN CORPORATION
(Registrant)

Date: November 12, 1997

By: /s/

John W. Hancock
Senior Vice President-Treasurer
(Principal Financial Officer)

By: /s/

Edward L. Rand, Jr.
Vice President and Controller
(Principal Accounting Officer)

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
 COMPUTATION OF NET INCOME PER COMMON SHARE
 SUPPORTING SCHEDULE

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1997	1996	1997	1996
(In thousands, except per share data)				
Net income	\$ 2,395	\$ 2,068	\$ 5,779	\$ 1,388
Less preferred dividends to affiliates	(380)	(380)	(1,141)	(1,141)
Net income available to common shareholders	\$ 2,015	\$ 1,688	\$ 4,638	\$ 247
Weighted average common shares outstanding	18,758	18,869	18,786	18,860
Net income per common share	\$ 0.11	0.09	0.25	0.01

NOTE: Fully diluted earnings per common share are not presented because the effect of convertible subordinated notes and preferred stock is anti-dilutive.

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18712

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NEWS RELEASE
For Immediate Release

ATLANTIC AMERICAN COMPLETES ACQUISITION OF
AMERICAN INDEPENDENT LIFE INSURANCE COMPANY;
INCREASES LIFE INSURANCE OPERATIONS
TO INCLUDE FIVE ADDITIONAL STATES

ATLANTA, Georgia, October 2, 1997 - Atlantic American Corporation (NASDAQ:AAME) announced today that, after receiving the necessary regulatory approvals, its principal life insurance subsidiary, Bankers Fidelity Life Insurance Company, completed its previously announced acquisition of American Independent Life Insurance Company. The purchase price was approximately \$3.6 million in a combination of cash and a promissory note. The acquisition expands Atlantic American's life insurance operations into five additional states, bringing the total number of states in which the Company transacts business to 33. The acquisition expands Atlantic American's presence in the senior market as well as in the traditional life insurance and supplemental health insurance markets.

In an effort to achieve operational efficiencies, the administrative operations of American Independent Life Insurance Company will be moved to Atlantic American's office in Atlanta, Georgia and consolidated with the operations of Bankers Fidelity.

Commenting on the acquisition Hilton H. Howell, Jr., president and chief executive officer of Atlantic American Corporation, stated "We are pleased with the completion of this acquisition, which demonstrates Atlantic American's commitment to expand through selective acquisitions and complements our strategy to grow through the addition of new and enhanced insurance products."

Atlantic American is an insurance holding company involved in specialty insurance markets of the life, health, property and casualty insurance industries. Its principal subsidiaries include American Southern Insurance Company, American Safety Insurance Company, Bankers Fidelity Life Insurance Company and Georgia Casualty & Surety Company.

This release contains forward-looking statements regarding the anticipated financial and operating results of Atlantic American Corporation and its subsidiaries. Forward-looking statements are subject to inherent risks and uncertainties that may cause actual results to differ materially from those projected in the forward-looking statements, including the unsuccessful integration of operations and overall competition in the life and health insurance industry, and other risks identified in the Company's periodic filings with the Securities and Exchange Commission. The Company undertakes no obligation to publicly release any revisions to any forward-looking statements contained herein to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

For further information contact:

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Senior Vice President and Treasurer
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(404) 266-5738

Janice Kuntz
Golin/Harris Communications
(404) 681-3808

NEWS RELEASE
For Immediate Release

ATLANTIC AMERICAN CORPORATION TO ACQUIRE SIA, INC.;
AUTHORIZES THE REPURCHASE OF AN ADDITIONAL 500,000 SHARES OF
ATLANTIC AMERICAN COMMON STOCK

ATLANTA, Georgia, October 28, 1997 - Atlantic American Corporation (NASDAQ:AAME) today announced that its board of directors has approved the acquisition of Self Insurance Administrators, Inc. ("SIA, Inc."), an Atlanta-based third party administrator of self-insured companies and public organizations. SIA, Inc. specializes in the administration of these organizations' workers' compensation coverages, primarily in the state of Georgia. Atlantic American will issue approximately \$1.2 million in its common stock in exchange for 100 percent of the common stock of SIA, Inc., which, in 1996 generated approximately \$600,000 in service fee revenue and approximately \$630,000 in stop-loss reinsurance. The acquisition is scheduled to be completed as of October 31, 1997.

Commenting on the acquisition, Hilton H. Howell, Jr., president and chief executive officer of Atlantic American, stated, "We are excited about the potential of this transaction. The acquisition of SIA, Inc. will allow Atlantic American to expand its services in the workers' compensation arena beyond the traditional workers' compensation insurance underwritten by our subsidiary, Georgia Casualty & Surety Company. We will now have the added ability to offer our agents and insureds the alternative of setting up self-insured workers' compensation programs. We also expect that the acquisition will enable Georgia Casualty to enter a new insurance market by providing stop-loss reinsurance for some of the self-insured clients of SIA, Inc." Howell continued, "I am also particularly pleased that Andy Thompson, the founder and president of SIA, Inc., will continue to run the company he has so successfully built. Andy is a true insurance professional and we welcome him as a member of the Atlantic American team and as a significant shareholder of our company."

Andy Thompson, president of SIA, Inc., commented, "All of us here at SIA, Inc. are pleased and proud to be a member of the Atlantic American family of companies, and we are excited to be able to offer our alternative insurance programs to a larger base of clients."

In addition, the board of directors of Atlantic American authorized the acquisition of up to an additional 500,000 shares of the company's issued and outstanding common stock pursuant to a previously authorized stock repurchase program. The shares are to be repurchased from time to time based upon prevailing market conditions. The acquired shares will be held as treasury shares and will be used principally to satisfy Atlantic American's obligations to its various employee benefit programs. On May 2, 1995, Atlantic American initiated the share buy back program with the authorization by its board to acquire 500,000 shares of common stock and approximately 340,000 shares have been repurchased under the program to date.

Atlantic American's news releases are immediately accessible on the World Wide Web at <http://www.prnewswire.com> in the Company News Section. Reports filed with the Security and Exchange Commission may be found by using "Edgar Search" in the Company News On-Call Plus Section.

Atlantic American is an insurance holding company involved in specialty insurance markets of the life, health, property and casualty insurance industries. Its principal subsidiaries include: American Southern Insurance Company, American Safety Insurance Company, Bankers Fidelity Life Insurance Company and Georgia Casualty & Surety Company.

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