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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

|X| Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2000

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 |X| NO |_|

The total number of shares of the registrant's Common Stock, $1 par value, outstanding on May 11, 2000, was 21,025,022.

ATLANTIC AMERICAN CORPORATION
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

(Unaudited; In thousands, except per share data)

	March 31, 2000	December 31, 1999
Cash and cash equivalents (including short-term investments of $9,511 and $22,471)	$ 22,705	$ 34,306
Investments:		
Bonds (cost: $156,526 and $143,220)	149,346	137,000
Common and preferred stocks (cost: $31,109 and $31,183)	45,148	48,684
Other invested assets (cost: $6,113 and $4,943)	6,468	5,717
Mortgage loans	3,619	3,645
Policy and student loans	3,157	3,749
Real estate	46	46
Total investments	207,784	198,841
Receivables:		
Reinsurance	38,452	39,287
Other (net of allowance for bad debts: $1,717 and $1,717)	32,397	28,478
Deferred income taxes, net	5,426	4,299
Deferred acquisition costs	21,464	20,398
Other assets	4,798	5,074
Goodwill	19,861	20,461
Total assets	$352,887	$351,144

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 2000	December 31, 1999
Insurance reserves and policy funds:		
Future policy benefits	$ 40,489	$ 40,093
Unearned premiums	36,871	34,293
Losses and claims	128,188	126,556
Other policy liabilities	4,472	4,203
Total policy liabilities	210,020	205,145
Accounts payable and accrued expenses	16,225	16,051
Debt payable	50,000	51,000
Total liabilities	276,245	272,196
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Preferred stock, $1 par, 4,000,000 shares authorized; Series B preferred, 134,000 shares issued and outstanding, $13,400 redemption value	134	134
Common stock, $1 par, 30,000,000 shares authorized; 21,412,138 shares issued in 2000 in 1999 and 21,021,353 shares Outstanding in 2000 and 21,026,786 shares outstanding in 1999	21,412	21,412
Additional paid-in capital	55,375	55,677
Accumulated deficit	(3,452)	(4,558)
Accumulated other comprehensive income - unrealized investment gains, net	4,689	7,836
Treasury stock, at cost, 390,785 shares in 2000 and 385,352 shares in 1999	(1,516)	(1,553)
Total shareholders' equity	76,642	78,948
Total liabilities and shareholders' equity	$ 352,887	$ 351,144

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

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; In thousands, except per share data)	Three Months Ended March 31, 2000	1999
Revenue:		
Insurance premiums	$ 31,879	$ 23,343
Investment income	4,003	2,871
Realized investment gains, net	547	865
Other income	462	258
Total revenue	36,891	27,337
Benefits and expenses:		
Insurance benefits and losses incurred	22,586	16,249
Commissions and underwriting expenses	8,434	6,964
Interest expense	992	465
Other	3,153	2,179
Total benefits and expenses	35,165	25,857
Income before income tax provision	1,726	1,480
Income tax provision	574	27
Net income	1,152	1,453
Preferred stock dividends	(302)	(302)
Net income applicable to common stockholders	$ 850	$ 1,151
Net income per common share (basic and diluted)	$ .04	$ .06
Weighted average common shares outstanding, basic	21,012	19,111
Weighted average common shares outstanding, diluted	21,033	19,412

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

ATLANTIC AMERICAN CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited; Amounts in thousands)

Three Months Ended March 31, 2000	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Net Unrealized Investment Gains	Treasury Stock	Total
Balance, December 31, 1999	$ 134	$ 21,412	$ 55,677	$ (4,558)	$ 7,836	$ (1,553)	$ 78,948
Comprehensive income (loss):							
Net income				1,152			1,152
Decrease in unrealized investment gains					(4,842)		(4,842)
Deferred income tax benefit attributable to other comprehensive loss					1,695		1,695
Total comprehensive loss							(1,995)
Dividends accrued on preferred stock			(302)				(302)
Purchase of shares for treasury						(60)	(60)
Issuance of shares for employee benefit plans and stock options				(46)		97	51
Balance, March 31, 2000	$ 134	$ 21,412	$ 55,375	$ (3,452)	$ 4,689	$ (1,516)	$ 76,642
Balance, December 31, 1998	$ 134	$ 19,406	$ 50,406	$ (15,213)	$ 28,786	$ (1,302)	$ 82,217
Comprehensive income (loss) :							
Net income				1,453			1,453
Decrease in unrealized investment gains					(3,679)		(3,679)
Total comprehensive loss							(2,226)
Dividends accrued on preferred stock			(302)				(302)
Purchase of shares for treasury						(113)	(113)
Issuance of shares for employee benefit plans and stock options				(2)		33	31
Balance, March 31, 1999	$ 134	$ 19,406	$ 50,104	$ (13,762)	$ 25,107	$ (1,382)	$ 79,607

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

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; In thousands)	Three Months Ended March 31, 2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,152	$ 1,453
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of deferred acquisition costs	2,119	2,960
Acquisition costs deferred	(3,185)	(3,978)
Realized investment gains	(547)	(865)
Increase in insurance reserves	4,875	13,310
Depreciation and amortization	451	346
Deferred income tax expense	567	-
Increase in receivables, net	(3,084)	(14,729)
Decrease in other liabilities	355	(574)
Other, net	(498)	(121)
Net cash provided by (used in) operating activities	2,205	(2,198)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investments sold or matured	2,841	15,693
Investments purchased	(15,450)	(15,871)
Additions to property and equipment	(108)	(160)
Acquisition of Association Casualty	(80)	-
Net cash used in investing activities	(12,797)	(338)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	51	31
Purchase of treasury shares	(60)	(113)
Repayments of debt	(1,000)	-
Net cash used in financing activities	(1,009)	(82)
Net decrease in cash and cash equivalents	(11,601)	(2,618)
Cash and cash equivalents at beginning of period	34,306	32,385
Cash and cash equivalents at end of period	$ 22,705	$ 29,767
Supplemental cash flow information:		
Cash paid for interest	$ 1,015	$ 465
Cash paid for income taxes	$ -	$ -

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

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; In thousands)

Note 1. Basis of presentation.

The accompanying unaudited condensed consolidated financial statements include the accounts of Atlantic American Corporation and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The acompanying 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. Operating results for the three month period ended March 31, 2000, are not necessarily indicative of the results that may be expected for the year ending December 31, 2000. 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, 1999.

Note 2. Impact of recently issued accounting standards.

The Financial Accounting Standards Board has issued Statement 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 provides a comprehensive and consistent standard for recognition and measurement of derivatives and hedging activity. SFAS 133 requires all derivatives to be recorded on the balance sheet at fair value and establishes specific accounting methods for hedges. Changes in the value of most derivatives and hedges will be included in earnings in the period of the change. SFAS 133, as amended by SFAS 137, is effective for years beginning after June 15, 2000. The Company intends to adopt SFAS 133 on January 1, 2001. Management does not believe the adoption of SFAS 133 will have a material effect on the Company's financial condition or results of operations.

Note 3. Segment Information

The Company has four principle insurance subsidiaries that each focus on a specific geographic region and/or specific products. Each company is managed autonomously and is evaluated on its individual performance. The following summary sets forth each company's revenue and pretax income (loss) for the three months ended March 31, 2000 and 1999.

Revenues

	Three Months Ended March 31, 2000	Three Months Ended March 31, 1999
American Southern	$ 10,950	$ 10,110
Association Casualty	5,156	-
Georgia Casualty	7,223	5,539
Bankers Fidelity	13,244	11,426
Corporate and Other	2,005	1,447
Adjustments and eliminations	(1,687)	(1,185)
Consolidated results	$ 36,891	$ 27,337

Income (loss) before income tax provision

	Three Months Ended March 31, 1999	Three Months Ended March 31, 2000
American Southern	$ 1,559	$ 1,635
Association Casualty	(175)	-
Georgia Casualty	444	176
Bankers Fidelity	1,060	846
Corporate and other	(1,177)	(1,162)
Consolidated results	$ 1,726	$ 1,480

Note 4. Credit Arrangements

The Company is a party to a five-year revolving credit facility that provides for borrowings up to $30,000. The interest rate on the borrowings under the facility is based upon the London Interbank Offered Rate ("LIBOR") plus an applicable margin, 2.25% at March 31, 2000. The monthly credit facility provides for the payment of all of the outstanding principal balance at June 30, 2004 with no required principal payments prior to that time.

The Company also has outstanding, $25,000 of Series 1999, Variable Rate Demand Bonds (the "Bonds") due July 1, 2009. The Bonds, which are redeemable at the Company's option, pay a variable interest rate that approximates 30-day LIBOR. The Bonds are backed by a thirteen-month letter of credit issued by Wachoiva Bank, N.A. The cost of the letter of credit and its associated fees are 2.25%, making the effective rate on the Bonds LIBOR plus 2.25% at March 31, 2000. The interest on the Bonds is payable monthly and the letter of credit fees are payable quarterly. The Bonds do not require the repayment of an principal prior to maturity.

Subsequent to year-end, the revolving credit facility and letter of credit were both amended by Wachovia Bank, N.A. as a result of the Company's operating performance during 1999. The amendment establishes new covenants pertaining to funded debt, total capitalization, and EBITDA. As amended, beginning April 1, 2000, the margin on the revolving credit facility was increased to 3.25% and the cost of the letter of credit was increased to this same level. The margin on the revolving credit facility and the cost of the letter of credit can be reduced if the Company meets certain financial objectives during 2000. The Company expects to be in compliance with all debt covenants for the remainder of 2000.

Note 5. Reconciliation of Other Comprehensive Income

	March 31, 2000	March 31, 1999
Gain on sale of securities included in net income	$ 547	$ 865
Other comprehensive loss:		
Net pre-tax unrealized loss arising during year	$ (4,295)	$ (2,814)
Reclassification adjustment	(547)	(865)
Net pre-tax unrealized loss recognized in other comprehensive loss	(4,842)	(3,679)
Deferred income tax benefit attributable to other comprehensive training	1,695	-
Net unrealized loss recognized in other comprehensive loss	$ (3,147)	(3,679)

Note 6. Acquisition.

On July 1, 1999, the Company acquired 100% of the outstanding stock of Association Casualty Insurance Company ("ACIC") and Association Risk Management General Agency, ("ARMGA") for a combined price of $32,958 with $8,483 of the purchase price paid in the form of common stock of the Company and the remaining $24,475 paid in cash obtained from borrowings under the Company's revolving credit facility. The acquisition of both ACIC and ARMGA were accounted for using the purchase method of accounting. Accordingly, the Company has preliminarily allocated the purchase price of the companies based on the fair value of the assets acquired and liabilities assumed and their results of operations are included in the consolidated results of operations since the date of acquisition.

The following summarizes the Company's pro-forma unaudited results of operations for the quarter ended March 31, 1999 assuming the purchase of ACIC and ARMGA had been consummated as of January 1, 1999:

Revenue	$	32,833
Net Income	$	935
Per common share data:		
Basic earnings per share	$	0.03
Diluted earnings per share	$	0.03

This pro-forma financial information has been prepared for the informational purposes only and is not necessarily indicative of the results of operations had the transaction been consummated on January 1, 1999, nor is it indicative of results of operations that may be obtained in the future.

Note 8. Earnings per common share

A reconciliation of the numerator and denominator of the earnings per common share calculations are as follows:

(In thousands, except per share data)	Three Months Ended March 31, 2000	Three Months Ended March 31, 1999
Basic Earnings Per Common Share		
Net income	$ 1,152	$ 1,453
Less preferred stock dividends	(302)	(302)
Net income applicable to common shareholders	$ 850	$ 1,151
Weighted average common shares outstanding	21,012	19,111
Net income per common share	$ .04	$ .06
Diluted Earnings Per Common Share:		
Net income applicable to common shareholders	$ 850	$ 1,151
Weighted average common shares outstanding	21,012	19,111
Effect of dillutive stock options	21	301
Weighted average common shares outstanding Adjusted for dillutive stock options	21,033	19,412
Net income per common share	$ .04	$ .06

Outstanding stock options of 811,000 and 11,000 were excluded from the earnings per common share calculation in 2000 and 1999, respectively, since their impact was antidilutive. This assumed conversion of the Series B Preferred stock was excluded from the earnings per common share calculation for 2000 and 1999 since its impact was antidilutive.

Note 9. Commitments and Contigencies
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The Company and its subsidiaries are parties to litigation occurring in the normal course of business. In the opinion of management, such litigation will not have a material adverse effect on the Company's financial position or results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Overall Corporate ResultS

On a consolidated basis, the Company earned $1.2 million or $0.04 per diluted share during the first quarter of 2000 compared to net income of $1.5 million or $0.06 per diluted share in the first quarter of 1999. Pre-tax net income increased to $1.7 million during the first quarter of 2000 from $1.5 million for the comparable period in 1999. The Company, beginning in the first quarter of 2000, is recognizing a deferred tax provision as a result of the Company's year-end 1999 reassessment of its valuation reserve related to the Company's net operating loss carryforwards. For a further discussion of the Company's valuation allowance refer to Note 5 of the Company's consolidated financial Statements included in the Company's 1999 Annual Report on Form 10-K for the year ended December 31, 1999.

A more detail analysis of the individual operating entities and other corporate activities is provided below.

UNDERWRITING RESULTS
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American Southern

The following is a summary of American Southern's premiums for the first quarter of 2000 and the comparable period in 1999:

(Amounts in thousands)	Three months ended March 31, 2000	1999
Gross written premiums	$ 9,272	$ 21,182
Ceded premiums	(1,318)	(1,273)
Net written premiums	$ 7,954	$ 19,909
Net earned premiums	$ 9,678	$ 8,972

Gross written premiums at American Southern declined $11.9 million during the first quarter of 2000 because the company is currently recognizing the premium of one of its larger contracts on a monthly basis. This contract was renewed, through a competitive bidding process, in early 2000; however, one of the other parties bidding for this work has appealed the awarding of this business to American Southern. While the Company is confident that it can defend any appeal, as a conservative measure American Southern is recognizing this premium on a monthly basis until the appeal is settled rather than recognizing the annual premium and offsetting this with unearned premium as was done in 1999. Net earned premium for the quarter increased $706,000 or 7.9% over first quarter 1999. The principal reason for this increase in earned premium is the increase in business being produced in conjunction with the AAA of Carolina's Motor Club. This program began writing business in 1999 and as a result did not have a significant impact on earned premiums in the first quarter of 1999. Earned premiums from the joint venture were $819,000 in the first quarter of 2000 compared to $198,000 in the first quarter of 1999.

The following is a break out of American Southern's earned premium by line of business for the first quarter of 2000 and the comparable period in 1999:

(Amounts in thousands)	Three months ended March 31, 2000	1999
Commercial automobile	6,906	$ 6,820
Privatepassenger auto	819	198
General liability	964	1,174
Property	976	765
Other	13	15
	$ 9,678	$ 8,972

American Southern produces much of its business through contracts with various states and municipalities, some of which represent significant amounts of revenue for the company. These contracts, which last from one to three years, are periodically subject to competitive renewal quotes and the loss of a significant contract could have a material adverse effect on the business or financial condition of American Southern and the Company. Other than the contract discussed above, none of American Southern's significant contracts are currently up for renewal. In an effort to increase the number of programs underwritten by American Southern and to insulate it from the loss of any one program, the company is continually evaluating new underwriting programs.

The following is a break out of the loss and expense ratios of American Southern for the first quarter of 2000 and the comparable period in 1999:

	Three months ended March 31, 2000	1999
Loss ratio	64.3%	64.7%
Expense ratio	32.4%*	29.3%*
Combined ratio	96.7%	94.0%

*Excludes the amortization of goodwill associated with the acquisition of American Southern.

The loss ratio for the first quarter of 2000 was 64.3%,representing a slight improvement over the first quarter of 1999. American Southern was minimally impacted by the severe storms that hit the southeastern United States during the first quarter, with losses related to these storms totaling only $200,000. The expense ratio for the quarter increased from 29.3% in 1999 to 32.4% in 2000 primarily due to an increase in the company's private passenger auto line of business on which the company pays a 15% commission. This commission exceeds the company's commission on its other lines of business; however, it is competitive with the industry.

Association Casualty

The results of both Association Casualty Insurance Company and Association Risk Management General Agency (together referred to as "Association Casualty") are presented for the first quarter of 2000;however, since the Company did not own these companies during the first quarter of 1999 no comparative information is presented.

The following is a summary of Association Casualty's premiums for the first quarter of 2000:

(Amounts in thousands)	Three Months ended March 31,
Gross written premiums	$ 5,005
Ceded premiums	(353)
Net written premiums	$ 4,652
Net earned premiums	$ 4,368

Association Casualty writes predominately workers' compensation insurance in the state of Texas (96% of net earned premiums). The Texas' workers compensation market remains extremely competitive; however, Association Casualty has been successful in attracting new business and in increasing the rates it is charging for renewing business. Compared to the first quarter of 1999 (pre acquisition) gross written premiums for the first quarter of 2000 are up 14.5%.

The following is the loss and expense ratio for Association Casualty for the first quarter of 2000:

	Three months ended March 31, 2000
Loss Ratio	82.6%
Expense Ratio	33.9%*
Combined Ratio	116.5%

* Excludes the amortization of goodwill and interest on an intercompany surplus note associated with the acquisition of Association Casualty.

Association Casualty continues to be adversely impacted by the liberal interpretation of the workers' compensation laws in the State of Texas. The company is also seeing an increase in the number of claims that are being reopened for second surgeries. In addition Association Casualty was impacted by an unusually high number of severe claims during the quarter. The company is taking action to increase its pricing to account for these events.

The expense ratio for Association Casualty is in line with the Company's expectations.

Georgia Casualty

The following is a summary of Georgia Casualty's premiums for the first quarter of 2000 and the comparable period in 1999:

(Amounts in thousands)	Three months ended March 31, 2000	1999
Gross written	$ 11,021	$ 6,817
Ceded premiums	(818)	(1,387)
Net written premiums	$ 10,203	$ 5,430
Net earned premiums	$ 6,425	$ 4,562

Gross written premiums at Georgia Casualty increased $4.2 million or 61.7% during the first quarter of 2000. The increase in premium is the result of several factors. First, the company, during the first quarter of 2000, began evaluating and underwriting insurance for large associations and other homogenous risks. The impact of these programs was $1.0 million in the first quarter. In addition the company has been aggressively increasing premium on its renewal business and has been pricing new business at rates higher than those used a year ago. Lastly, the company continues to see the benefits from the relationships that the new management team at Georgia Casualty has with the insurance community. The decline in ceded premium is the result of the discontinuation of the stop-loss reinsurance Agreement that the company put in place in the first quarter of 1999. Due to the improved results seen by Georgia Casualty, the protection offered by the stop loss agreement is, in the opinion of management, no longer necessary.

The following is a break out of Georgia Casualty's earned premium by line of business for the first quarter of 2000 and the comparable period in 1999:

(Amounts in thousands	Three months ended March 31, 2000	1999
Workers' Compensation	$ 4,031	$ 2, 988
Commercial auto	1,008	721
General liability	576	302
Commercial multi-peril	810	551
	$ 6,425	$ 4,562

The following is a break out of the loss and expense ratios of Georgia Casualty for the first quarter of 2000 and the comparable period in 1999:

	Three months ended March 31, 2000	1999
Loss ratio	68.7%	77.2%
Expense ratio	36.8%	40.3%
Combined ratio	105.5%	117.5%

The loss ratio declined to 68.7% in the first quarter of 2000 from 77.2% in the first quarter of 1999. The primary reason for the decline is the complete elimination, during the latter part of 1999, of two underwriting programs whose performance was substandard. In addition, the company is seeing the benefits of the increased rates that began in the fourth quarter of 1999. Also, the mix of business that Georgia Casualty underwrites has changed from one of higher hazards (e.g., logging and habitational contractors) to low and moderate hazards (e.g., retail and light manufacturing). The expense ratio for the quarter declined to 36.8% from 40.3% primarily as a result of the increase in earned premiums and only a moderate increase in fixed expenses.

Bankers Fidelity

The following summarizes Bankers Fidelity's premiums for the first quarter of 2000 and the comparable period in 1999:

(Amounts in thousands)	Three months ended March 31, 2000	1999
Medicare supplement	$ 7,394	$ 5,942
Other health	765	837
Life	3,249	3,030
Total	$ 11,408	$ 9,809

Premium revenue at Bankers Fidelity increased $1.6 million or 16.3% during the first quarter of 2000. The most significant increase in premium arose in the Medicare supplement line of business which increased 24.4% for the quarter. During 1999 Bankers Fidelity expanded its Medicare supplement product into additional states which, over the course of the year, increased the sales of this product. The effects of this expansion are now being fully seen. In addition, during the fourth quarter of 1999 and first quarter of 2000 Bankers Fidelity implemented rate increases on this product, in some cases up to 30%, while the full effects of these rate increases has not yet been seen on renewal business, it is being reflected in the new business written by the company. In spite of these rate increases, the renewal rate on this product was in excess of 86% for the quarter. Bankers Fidelity is also continuing to see increased sales of its life products. The major marketing effort at Bankers Fidelity continues to be on this product line.

The following summarizes Bankers Fidelity's operating expenses for the first quarter of 2000 and the comparable period in 1999:

(Amounts in thousands)	Three months ended March 31, 2000	1999
Benefits and losses	$ 8,342	$ 6,920
Commission and other expenses	3,842	3,660
Total expenses	$ 12,184	$ 10,580

The increase in both benefits and losses and commission and other expenses is directly attributable to the increase in premiums. Benefits and losses are up 20.5%, slightly out pacing the increase in premiums. As a percentage of premiums benefits and losses were 73.1% for the quarter compared to 70.5% in the first quarter of 1999. The increase is primarily attributable to increased medical costs. The rate increases that Bankers Fidelity has put in place will ultimately mitigate the increases in medical costs; however, it will take several quarters before the full effect of the rate increases is seen.

As a result of an effort to reduce commission costs as well as streamline expenses, commission and other expenses increased only 5.0% during the quarter. As a percentage of premium, these expenses were 33.7% for the first quarter of 2000 compared to 37.3% in the first quarter of 1999.

INVESTMENT INCOME AND REALIZED GAINS

Investment income for the quarter increased $1.1 million over the first quarter of 1999. The addition of Association Casualty accounted for $633,000 of this increase. The Company also benefited from a significant gain in a real estate partnership in which it is involved. The investment, which is accounted for under the equity method, sold several pieces of property resulting in income of approximately $400,000 for the first quarter which is not expected to be recurring. To take advantage of the steepening yield curve the company shifted securities from short-term to longer-term securities, this also contributed to the increase in investment income for the quarter.

Realized gains for the first quarter decreased 37%. Management continually evaluates the Company's investment portfolio and when opportunities arise will divest appreciated investments.

INTEREST EXPENSE

Interest expense for the first quarter of 2000 increased significantly compared to the first quarter of 1999. In conjunction with the acquisition of Association Casualty, the Company entered into a $30.0 million revolving credit facility with Wachovia Bank, N.A. During the first quarter of 2000 the Company paid down $1.0 million on the revolver, leaving $25.0 million outstanding under the facility. This debt, coupled with the $25 million variable rated demand bonds entered into during the second quarter of 1999, the proceeds of which were used to pay down the Company's prior credit facility, bring the total debt at March 31, 2000 to $50.0 million, up from $26.0 million in the first quarter of 1999. The interest rate on both the revolver and the bonds is variable and is tied to 30-day LIBOR.

OTHER EXPENSES AND TAXES

The increase in other operating expenses during the quarter is attributable to the inclusion of Association Casualty, beginning in the third quarter of 1999.

The Company, beginning in the first quarter of 2000 is recognizing a deferred tax provision as a result of the Company's year-end 1999 reassessment of its valuation reserve related to the Company's net operating loss carryforwards. For a further discussion of the Company's valuation allowance refer to Note 5 of the Company's consolidated financial statements included in the Company's 1999 Annual Report on Form 10-K for the year ended December 31, 1999.

LIQUIDITY AND CAPITAL RESOURCES

The major cash needs of the Company are for the payment of claims and expenses as they come due and the maintenance of adequate statutory capital and surplus to satisfy state regulatory requirements and meet debt service requirements of the Company. The Company's primary source of cash is written premiums and investment income. Cash payments consist of current claim payments to insureds and operating expenses such as salaries, employee benefits, commissions, taxes, and shareholder dividends from the subsidiaries, when earnings warrant such dividend payments. By statute, the state regulatory authorities establish minimum liquidity standards primarily to protect policyholders.

The Company's insurance subsidiaries reported a combined statutory income of $960,000 for the first three months of 2000 compared to statutory net income of $1.4 million for the first three months of 1999. The reasons for the decrease in statutory earnings in the first quarter of 2000 are the same as those discussed in "Results of Operations" above.Statutory results differ from the results of operations under generally accepted accounting principles ("GAAP") for the Casualty Division due to the deferral of acquisition costs. The Life and Health Division's statutory results differ from GAAP primarily due to deferral of acquisition costs, as well as different reserving methods.

The Company has one series of preferred stock outstanding, substantially all of which is held by affiliates of the Company's chairman and principal shareholders. The outstanding shares of Series B Preferred Stock ("Series B Stock") have a stated value of $100 per share, accrue annual dividends at a rate of $9.00 per share, in certain circumstances may be convertible into an aggregate of approximately 3,358,000 shares of common stock, and are redeemable at the Company's option. The Series B Stock is not currently convertible. At March 31, 2000, the Company had accrued, but unpaid dividends on the Series B Stock totaling $5.1 million.

On June 24, 1999, the Company issued $25.0 million in Taxable Variable Rate Demand Bonds, Series 1999 (the "Bonds") to replace the Company's existing bank facility. The bonds will mature on July 1, 2009 and pay a variable interest rate that approximates 30-day LIBOR. The bonds are backed by a Letter of Credit issued by Wachovia Bank, N.A. The cost of the Letter of Credit and its associated fees are currently 325 basis points, making the effective cost of the bonds LIBOR plus 325 basis points. The credit facility that was replaced by the Bonds was a term loan with an interest rate of prime less 50 basis points and would have matured December 31, 2000.

On July1, 1999, the Company entered into a $30.0 million revolving credit facility with Wachovia Bank, N.A. to finance a portion of its acquisition of Association Casualty. The revolver has a five-year term and requires no principal payments until maturity. The interest rate on the revolver is 30-day LIBOR plus 325 basis points. The Company paid down $1.0 million on this facility during the first quarter of 2000 reducing the outstanding balance to $25.0 million.

The Company is required, under both credit facilities, to meet certain debt covenants including maintaining certain ratios of earnings before interest, taxes, depreciation and amortization ("EBITDA") to interest, debt to EBITDA and debt to total capitalization. The Company was in compliance with all of its debt covenants at March 31, 2000.

The Company provides certain administrative and other services to each of its insurance subsidiaries. The amounts charged to and paid by the subsidiaries in the first quarter of 2000 increased slightly over the first quarter of 1999. 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 $36 million at March 31, 2000.

Over 90% of the investment assets of the insurance subsidiaries are in marketable securities that can be converted into cash, if required; however, use of such assets by the Company is limited by state insurance regulations. Dividend payments to the Company by its insurance subsidiaries are limited to the accumulated statutory earnings of the individual insurance subsidiaries, subject to annual limitations. At March 31, 2000, Georgia Casualty had $8.1 million of accumulated statutory earnings, American Southern had $19.7 million of accumulated statutory earnings, Association Casualty had $13.8 million of accumulated statutory earnings, and Bankers Fidelity had $15.9 million of accumulated statutory earnings.

Net cash provided by operating activities was $2.2 million in the first quarter of 2000 compared to net cash used in operating activities of $2.2 million in the first quarter of 1999. Cash and short-term investments decreased from $34.3 million at December 31, 1999, to $22.7 million at March 31, 2000, mainly due to an increase in longer-term investments. Total investments (excluding short-term investments) increased to $207.8 million due to the shift from short-term investments.

The Company believes that the dividends, fees, and tax-sharing payments it receives from its subsidiaries and, if needed, borrowings from banks will enable the Company to meet its liquidity requirements for the foreseeable future. Management is not aware of any current recommendations by regulatory authorities, which, if implemented, would have a material adverse effect on the Company's liquidity, capital resources or operations.

FORWARD-LOOKING STATEMENTS

This report contains and references certain information that constitutes forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Those statements, to the extent they are not historical facts, should be considered forward-looking and subject to various risks and uncertainties. Such forward-looking statements are made based upon management's assessments of various risks and uncertainties, as well as assumptions made in accordance with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The Company's actual results could differ materially from the results anticipated in these forward-looking statements as a result of such risks and uncertainties, including those identified in the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 1999 and the other filings made by the Company from time to time with the Securities and Exchange Commission.

PART II. OTHER INFORMATION

Item 6. Exhibits and Report on Form 8-K

(a) The following exhibits are filed herewith:

Exhibit 27. Financial data schedule

(b) No reports on Form 8-K were filed with the Securities and Exchange Commission during the first quarter of 2000.

SIGNATURE

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: May 15, 2000 By: /s/

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

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