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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, 1999

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 6, 1999, was 19,106,238.

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ATLANTIC AMERICAN CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

(In thousands, except share and per share data)

	March 31, 1999	December 31, 1998
Cash, including short-term investments of $18,115 and $24,068	$29,767	$32,385
Investments:		
Bonds (Cost: $102,171 and $98,286)	102,287	99,341
Common and preferred stocks (cost: $30,924 and $33,116)	56,040	61,007
Other invested assets (cost: $4,982 and $4,982)	4,857	4,822
Mortgage loans	3,827	3,851
Policy and student loans	3,666	4,268
Real estate	46	46
Total investments	170,723	173,335
Receivables:		
Reinsurance	25,110	22,772
Other (net of allowance for bad debts: $1,290 and $1,377)	31,304	18,912
Deferred acquisition costs	17,899	16,881
Other assets	4,234	4,225
Goodwill	4,242	4,339
Total assets	$283,279	$272,849

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 1999	December 31, 1998
Insurance reserves and policy funds:		
Future policy benefits	$39,030	$38,912
Unearned premiums	35,062	22,971
Losses and claims	87,562	86,768
Other policy liabilities	4,033	3,726
Total policy liabilities	165,687	152,377
Accounts payable and accrued expenses	11,985	12,255
Debt payable	26,000	26,000
Total liabilities	203,672	190,632
Commitments and contingencies 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; 19,405,753 shares issued in 1999 and 1998 and 19,103,875 shares outstanding in 1999 and 19,119,888 shares outstanding in 1998	19,406	19,406
Additional paid-in capital	50,104	50,406
Accumulated deficit	(13,762)	(15,213)
Accumulated other comprehensive income - unrealized investment gains, net	25,107	28,786
Treasury stock, at cost, 301,878 shares in 1999 and 285,865 shares in 1998	(1,382)	(1,302)
Total shareholders' equity	79,607	82,217
Total liabilities and shareholders' equity	$283,279	$272,849

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

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Three Months Ended March 31, 1999	1998
Revenue:		
Insurance premiums	$23,343	$22,958
Investment income	2,871	2,924
Realized investment gains, net	865	518
Other income	258	112
Total revenue	27,337	26,512
Benefits and expenses:		
Insurance benefits and losses incurred	16,249	15,522
Commissions and underwriting expenses	6,964	7,278
Interest expense	465	568
Other	2,179	1,519
Total benefits and expenses	25,857	24,887
Income before income tax expense	1,480	1,625
Income tax expense	27	26
Net income	$ 1,453	$ 1,599
Net income per common share (basic and diluted)	$ .06	$ .06
Weighted average common shares outstanding, basic	19,111	18,909
Weighted average common shares outstanding, diluted	19,412	19,231

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

ATLANTIC AMERICAN CORPORATION
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Net Unrealized Investment Gains	Treasury Stock	Total
Balance, December 31,1998	$ 134	$ 19,406	$ 50,406	$ (15,213)	$ 28,786	$ (1,302)	$ 82,217
Comprehensive income:							
Net income				1,453			1,453
Decrease in unrealized investment gains					(3,679)		(3,679)
Total comprehensive income							(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
Balance, December 31, 1997	$ 164	$ 18,921	$ 53,316	$(23,653)	$ 29,498	$ (63)	$ 78,183
Comprehensive income:							
Net income				1,599			1,599
Increase in unrealized investment gains					1,834		1,834
Total comprehensive income							3,433
Cash dividends paid on preferred stock			(79)				(79)
Dividends accrued on preferred stock			(302)				(302)
Purchase of shares for treasury						(58)	(58)
Issuance of shares for employee benefit plans and stock options			2	(2)		27	27
Issuance of shares for acquisition of Self-Insurance Administrators, Inc.		15	51				66
Balance, March 31, 1998	$ 164	$ 18,936	$ 52,988	$ (22,056)	$ 31,332	$ (94)	$ 81,270

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

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Three Months Ended March 31, 1999	Three Months Ended March 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,453	$ 1,599
Adjustments to reconcile net income to net cash used by operating activities:		
Amortization of deferred acquisition costs	2,960	2,055
Acquisition costs deferred	(3,978)	(2,745)
Realized investment gains	(865)	(518)
Increase in insurance reserves	13,310	11,129
Depreciation and amortization	346	228
Increase in receivables, net	(14,729)	(14,327)
(Decrease) Increase in other liabilities	(574)	4,291
Other, net	(121)	(296)
Net cash (used) provided by operating activties	(2,198)	1,416
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investments sold or matured	15,693	23,763
Investments purchased	(15,871)	(21,377)
Reduction in minority interest liability payable		-
Additions to property and equipment	(160)	(175)
Bulk reinsurance transactions, net		564
Net cash used provided by investing activities	(338)	2,775
CASH FLOWS FROM FINANCING ACTIVITIES:		
Preferred stock dividends	-	(79)
Proceeds from exercise of stock options	31	-
Purchase of treasury shares	(113)	(59)
Repayments of debt	-	(1,000)
Net cash used by financing activities	(82)	(1,138)
Net (decrease) increase in cash and cash equivalents	(2,618)	3,053
Cash and cash equivalents at beginning of period	32,385	51,044
Cash and cash equivalents at end of period	$29,767	$54,097
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 465	$ 568
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
(In thousands)

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 three month period ended March 31, 1999, are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. For further information, refer to the financial statements and footnotes thereto included or incorporated by reference in the Company's annual report on Form 10-K for the year ended December 31, 1998.

Note 2. Segment Information

The following summary sets forth information for each of the Company's business segments by revenue and income (loss) before income tax provision (benefit). The Company segments divides its operations by operating entity.

	American Southern	Georgia Casualty	Bankers Fidelity	Corporate and Other	Adjustments and Eliminations	Consolidated
March 31, 1999:						
Revenue	$10,110	$ 5,539	$11,426	$ 1,447	$(1,185)	$27,337
Income (loss) before income tax expense (benefit)	1,635	176	846	(1,177)	0	1,480
March 31, 1998:						
Revenue	$10,498	$ 6,243	$ 9,628	$ 1,054	$ (911)	$26,512
Income (loss) before income tax expense (benefit)	1,524	288	698	(885)	0	1,625

Note 3. Reconciliation of Other Comprehensive Income

	March 31, 1999	March 31, 1998
Gain on sale of securities included in net income	$ 865	$ 518
Other comprehensive income:		
Net unrealized gain (loss) arising during year	$(2,814)	$ 2,352
Reclassification adjustment	(865)	(518)
Net unrealized gain (loss) recognized in other comprehensive income	$(3,679)	$ 1,834

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

Management's discussion of financial condition and results of operations for the three month periods ended March 31, 1999 and 1998 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")Bankers Fidelity Life Insurance, American Independent Life Insurance Company together known as "Bankers Fidelity" and Self-Insurance Administrators, Inc. ("SIA, Inc.").

Atlantic American Corporation's net income for the first quarter of 1999 was $1.5 million ($.06 per diluted share) compared to net income of $1.6 million ($.06 per diluted share) for the first quarter of 1998.

RESULTS OF OPERATIONS

Total revenue for the Company was up 3.1% for the first quarter of 1999, increasing from $26.5 million in the first quarter of 1998 to $27.3 million. This increase is attributable to a 1.7% increase in insurance premiums coupled with an increase in realized gains of $347,000. Investment income for the quarter was down 1.8%, slightly offsetting these increases.

The Company's two casualty operations saw declines in insurance premiums in the first quarter of 1999. At American Southern insurance premiums were down 4.8% or $450,000 and at Georgia Casualty insurance premiums were down 14.0% or $742,000. The decline in insurance premiums in both casualty companies is attributable to declines in written premiums in 1998 the effects of which, due to the timing of premium revenue recognition, are now being realized. Net written premiums at both casualty companies were up in the first quarter over first quarter 1998 by , 1.0% and 5.3% at Georgia Casualty and American Southern, respectively.

Offsetting the decline in insurance premiums at the Company's casualty operations, insurance premiums at Bankers Fidelity were up 19.2% or $1.6 million for the quarter. This increase reflects the continued success of the refocused marketing campaign that began in 1998 and Bankers Fidelity's continued penetration into new geographic regions.

The small decline in investment income for the quarter of $53,000 is the result of declining yields on both short-term investments and the yield on recently acquired longer term securities. Realized investment gains for the first quarter of $865,000 were up over 1998 first quarter realized investment gains of $518,000. Management is continually evaluating the composition of the Company's investment portfolio and will periodically divest highly appreciated investments in an effort to improve the overall yield of the portfolio.

Insurance benefits and losses increased by 4.7% to $16.2 million, from $15.5 million in the first quarter of 1998. The increase is attributable to an increase in benefits and losses at Bankers Fidelity of $1.6 million and decreases in benefits and losses of $197,000 at American Southern and $631,000 at Georgia Casualty.

As a percentage of premium revenue, insurance benefits and losses incurred for the first quarter of 1999 were up slightly to 69.6%, from 67.6% in the first quarter of 1998. The ratio at American Southern increased from 63.7% in the first quarter of 1998 to 64.7% in the first quarter of 1999. At Georgia Casualty this ratio declined to 77.2% from 78.3% in the first quarter of 1998. Bankers Fidelity saw an increase in this ratio from 65.2% in the first quarter of 1998 to 70.5% for the first quarter of 1999. The increase in this ratio at Bankers Fidelity is attributable to an unusual volume of claims in the first three months of 1999.

Commission and underwriting expenses decreased from $7.3 million in the first quarter of 1998 to $7.0 million in the first quarter of 1999. The decrease is attributable in part to the decrease in premiums at the two Company's casualty operations. In addition, by revising its commission structure on its Medicare product and holding other operating expenses stable Bankers Fidelity saw only a 2.6% increase in commission and underwriting expenses in spite of a 19.2% increase in insurance premiums.

Interest expense for the quarter declined 18.1%, principally as a result of a $1.6 million reduction in debt compared to the first quarter of 1998, compounded by a reduction in the interest rate of the Company's credit facility to 7.25%. The reduction in the rate is the result of a reduction of the prime rate of interest during the latter part of 1998.

LIQUIDITY AND CAPITAL RESOURCES

The major cash needs of the Company are for the payment of claims and expenses as they come due and maintaining adequate statutory capital and surplus to satisfy state regulatory requirements and meet debt service requirements. The Company's primary sources of cash are 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, when earnings warrant such payment. By statute, the state regulatory authorities establish minimum liquidity standards primarily to protect policyholders.

The Company's insurance subsidiaries reported a combined statutory net income of $1.4 million for the first quarter of 1999 compared to statutory net income of $1.6 million for the first quarter of 1998. The reasons for the decline in statutory earnings in the first quarter of 1999 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 companies due to the deferral of acquisition costs. Bankers Fidelity's statutory results differ from GAAP primarily due to deferral of acquisition costs, as well different reserving methods.

The Company is a party to a Credit Agreement with Wachovia Bank of Georgia, N.A. At March 31, 1999, the Company had outstanding borrowings under this agreement of approximately $26.0 million, of which $3.4 million is scheduled to become due and over the next twelve months. The Company intends to repay its obligations under the Credit Agreement using dividend payments received from its subsidiaries and receipts from its tax sharing agreement with its subsidiaries.

As previously announced, the Company has entered into an agreement to acquire Association Casualty Insurance Company and its affiliate Association Risk Management General Agency, Inc., for aggregate consideration of $8.5 million in stock of the Company and $24.0 million in cash. The Company expects to finance the cash portion through additional credit arrangements with bank lenders The acquisition is scheduled to close in the third quarter, follwing receipt of regulatory approvals.

The Company has one series of preferred stock outstanding, substantially of all 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, 1999, the Company had accrued, but unpaid dividends on the Series B Stock totaling $2.7 million.

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 1999 remained approximately the same as in the first quarter of 1998. 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 $41.0 million at March 31, 1999.

At March 31, 1999, the Company had a net cumulative deferred tax asset of zero. The net cumulative deferred tax asset consisted of $19.6 million of deferred tax assets, offset by $12.1 million of deferred tax liabilities, and a $7.5 million valuation allowance. Due to the uncertain nature of their ultimate realization, based upon past performance and expiration dates, the Company has 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, there can be no assurance that the Company will generate future taxable income based on historical performance. Therefore, the realization of the deferred tax assets will be assessed periodically based on the Company's current and anticipated results of operations

Approximately 93.8% 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, 1999, Georgia Casualty had $12.6 million of accumulated statutory earnings, American Southern had $20.2 million of accumulated statutory earnings, and Bankers Fidelity had $16.3 million of accumulated statutory earnings.

Net cash used by operating activities was $2.2 million in 1999 compared to net cash provided by operating activities of $1.4 million in the first quarter of 1998. Cash and short-term investments decreased from $32.4 million at December 31, 1998, to $29.8 million at March 31, 1999. Total investments (excluding short-term investments), decreased from $173.3 million to $170.7 million due principally to declines in the values of the Company's equity securities.

The Company believes that the dividends, fees, and tax-sharing payments 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 which, if implemented, would have a material adverse effect on the Company's liquidity, capital resources or operations.

YEAR 2000

Many existing computer systems and equipment with embedded computer chips currently in use were developed using two digits rather than four digits to specify the year. As a result, many systems will recognize a date code of "00" as the calendar year 1900 rather than 2000 which could cause systems to fail or cause erroneous results in date sensitive systems.

The Company's operating systems, most of which depend on date sensitive data, are integral to its business. The Company has developed a program to assess the state of readiness of the Company's internal systems, both computer systems and those with embedded micro-processors, and those of its vendors and customers, the remediation measures necessary for those systems to be Year 2000 compliant, the costs to undertake such measures and to develop appropriate contingency plans.

The Company's program to assess its internal systems (which include both hardware and software) is continuing. The Company has identified four critical operating systems that require the highest level and priority of testing to ensure that performance is not adversely affected by the Year 2000 issue. At the end of 1998, the Company had completed all scheduled modifications to its systems to appropriately address the Year 2000. Initial testing of these systems has been completed and the Company is currently running on these modified systems. Additional testing will continue through the first half of 1999. To date, the Company has been able to remediate its systems through upgrades, rather than system replacement. The failure of any of those systems as a result of the Year 2000 issue would inhibit the Company's ability to conduct its business and process claims, and would likely have a material adverse effect on the Company's results of operations. The Company is also continuing to test less critical information systems and systems with embedded micro-processors for compliance, and expects that phase to be completed by the end of the second quarter of 1999. As that testing process continues, the Company is developing contingency plans to enable the Company to fulfill the functions performed by those systems in the event of failure. The development of contingency plans is ongoing; however, the Company expects to have in place contingency plans for its critical operating systems, as well as for less critical systems and vendor alternatives, by the beginning of the fourth quarter of 1999.

While the Company is taking every precaution to address the Year 2000 issue, some uncertainty remains. The Company can not control the activities of its third party vendors, and the Company may have failed to identify and remediate all of its systems and other such uncertainties. As a result, management cannot determine whether or not Year 2000 related problems that could arise will have a material impact on the Company's financial condition or results of operations.

As part of this process, the Company is continuing its process of surveying its vendors and service providers and customers in order to identify areas in which Year 2000-related problems with external systems could cause disruptions, delays or failures that could impact the Company. As the results of these external surveys are assessed, the Company expects to develop appropriate contingency plans. While unlikely, it is possible that a major service provider, such as a utility company, may be unable to provide the Company with its needed service for a period of time. If such an event were to happen, the Company might not be able to provide services until the utilities are returned.

During the first quarter of 1999, the Company spent less than $50,000 to modify existing systems and applications to address the Year 2000 issue. The Company estimates that less than $100,000 will be incurred in the remainder 1999. The Company does not anticipate that the costs of bringing its systems into compliance would have a material adverse effect on the results of operations or financial condition of the Company.

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, 1997 and the other filings made by the Company from time to time with the Securities and Exchange Commission.

PART II. OTHER INFORMATION

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES

Item 6. Exhibits and Report 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.

(b) No reports on Form 8-K were filed with the Securities and Exchange Commission during the first quarter of 1999.

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 14, 1999 By: /s/

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

EXHIBIT 11

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

(In thousands, except per share data)	Three Months Ended March 31, 1999	1998
Basic Earnings Per Common Share:		
Net income	$ 1,453	$ 1,599
Less preferred dividends to affiliates	(301)	(380)
Net income available to common shareholders	$ 1,152	$ 1,219
Weighted average common shares ouststanding	19,111	18,909
Net income per common share	$ .06	$ .06
Diluted Earnings Per Common Share:		
Net income available to common shareholders	$ 1,152	$ 1,219
Weighted average common shares outstanding	19,111	18,909
Effect of dilutive stock options	301	322
Weighted average common shares outstanding adjusted for dilutive stock options	19,412	19,231
Net income per common share	$ .06	$ .06

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