SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the Fiscal Year Ended December 31, 1995

or

| | TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission file number 0-3722

ATLANTIC AMERICAN CORPORATION

(Exact name of registrant as specified in its charter)

Georgia	58-1027114
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
4370 Peachtree Road, N.E., Atlanta, Georgia	30319
(Address of principal executive offices)	(Zip code)

(Registrant's telephone number, including area code) (404) 266-5500

Securities registered pursuant to section 12(b) of the Act:
None
Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $1.00 par value
(Title of class)
8% Convertible Subordinated Notes
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this 10-K or any amendment to this Form 10-K. |X|

The aggregate market value of common stock held by non-affiliates of the registrant as of March 8, 1996, was $39,609,000. On March 8, 1996 there were 18,679,797 shares of the registrant's common stock, par value $1.00 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of registrant's Annual Report to Shareholders for the year ended December 31, 1995 - Parts I, II and IV.

2. Portions of registrant's Proxy Statement for the Annual Meeting of Shareholders, to be held on May 7, 1996, have been incorporated in Items 10, 11, 12 and 13 of Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS

The Company

Atlantic American Corporation (the "Company" or the "Parent") is a Georgia holding company which is engaged primarily in the insurance business through the following subsidiaries: Atlantic American Life Insurance Company ("Atlantic American Life"), Bankers Fidelity Life Insurance Company ("Bankers Fidelity Life") (jointly, the "Life Companies"), American Southern Insurance Company and its wholly owned subsidiary American Safety Insurance Company (collectively, "American Southern") and Georgia Casualty & Surety Company ("Georgia Casualty").

The Company was incorporated as a Georgia corporation in 1968 and during that year acquired Georgia Casualty, which was incorporated in 1947. In 1970 the Company acquired Atlantic American Life, which was incorporated in Georgia in 1946, and, in 1976, Bankers Fidelity Life, a Georgia corporation incorporated in 1955. In 1991, the Company acquired substantially all of the stock of Leath Furniture, Inc. ("Leath"), an Atlanta-based furniture retailer which operates full-line, full-service retail furniture stores throughout the Midwest, Alabama and Florida. On February 21, 1996 the Company announced its intent to sell its approximately 88% interest in Leath and has reflected Leath as discontinued operations in its 1995 financial statements. On December 31, 1995 the Company acquired American Southern.

As used herein, unless the context otherwise requires, the term "Company" means the Parent holding company and its consolidated subsidiaries, Atlantic American Life, American Southern, Bankers Fidelity Life, and Georgia Casualty. American Southern and Atlantic American Life are 100%-owned subsidiaries; Georgia Casualty is a 99.9%-owned subsidiary. The Company presently owns approximately 93% of Bankers Fidelity Life. However, on January 5, 1996, the Company entered into an agreement pursuant to which the Company will acquire the remaining publicly held interest in Bankers Fidelity Life that it does not already own. The transaction will be completed through the merger of a newly formed subsidiary of the Company into Bankers Fidelity Life, with Bankers Fidelity Life being the surviving corporation in the merger. As a result of the merger, the public shareholders of Bankers Fidelity Life will receive $6.25 in cash per share, and their shares in Bankers Fidelity Life will be cancelled. Following the consummation of the merger, which is scheduled to occur on April 1, 1996, Bankers Fidelity Life will be a 100%-owned subsidiary of the Company.

The balance sheet of American Southern has been consolidated at December 31, 1995; however, the results of operations have not been included nor discussed in the following document except as it relates to the balance sheet.

The executive offices for the Company and each of its subsidiaries, with the exception of American Southern, are located at 4370 Peachtree Road, N.E., Atlanta, Georgia 30319. American Southern is located at 3175 Northside Parkway, Building 400, 8th Floor, Atlanta, Georgia 30327.

INSURANCE OPERATIONS

Glossary of Selected Insurance Terms

Combined Ratio.................	The sum of the expense ratio and the loss ratio. A combined ratio under 100% indicates an underwriting profit and a combined ratio over 100% indicates an underwriting loss.
Deferred Acquisition Costs.....	A portion of costs associated with the acquisition of business, including agents' and brokers' commissions and marketing expenses that are deferred.
Earned Premium.................	The portion of premium that is due or received applicable to the current year.
Expense Ratio..................	The ratio of underwriting expenses to premiums earned.
Lapse Ratio....................	For a specific group of insurance policies, the ratio of (i) the dollar amount of gross written premiums in-force at the beginning of a period (before reinsurance ceded, if any) less gross written premiums in-force at the end of the period over (ii) the dollar amount of gross written premiums in-force at the beginning of the period (before reinsurance ceded, if any).
Loss Adjustment Expenses ("LAE")	The estimated expenses of settling claims, including legal and other fees and expenses.
Loss Ratio.....................	The ratio of net incurred losses and loss adjustment expenses to net premiums written. Incurred losses include an estimated provision for claims which have been incurred but not reported to the insurer ("IBNR").
NAIC Ratios....................	The NAIC was established to provide guidelines to assess the financial strength of insurance companies for state regulatory purposes. The NAIC conducts annual reviews of the financial data of insurance companies primarily through the application of 13 financial ratios prepared on a statutory basis. The annual reports are submitted to state insurance departments to assist them in monitoring insurance companies in their states, and set forth a desirable range in which companies should fall in each such ratio.
Net Premiums Written...........	Premiums retained by an insurer, including assumed premiums and after deducting premiums on business reinsured with others.

Reinsurance....................	A procedure whereby an original insurer remits or "cedes" a portion of the premium to a reinsurer as payment to the reinsurer for assuming a portion of the related risk.
Risk Based Capital.............	Risk Based Capital ("RBC") is a new method of measuring the amount of capital appropriate for a company to support its overall business operation with respect to its size and risk profile. There are four major risks that are used to measure RBC. They are: 1) Asset Risk - which measures the quality of a company's investment. 2) Insurance Risk - involves the pricing and exposure of a company's insurance. 3) Interest Rate Risk - vulnerability of a company to changes in interest rates. 4) Business Risk - vulnerability of the company to external events.
Statutory Accounting Practices.	Recording transactions and preparing financial statements in accordance with the rules and procedures prescribed or permitted by regulatory authorities. The principal differences between statutory accounting practices ("SAP") and generally accepted accounting principles ("GAAP"), the method by which the Company generally reports its financial results, are that under statutory accounting (i) certain assets that are nonadmitted assets are eliminated from the balance sheet; (ii) acquisition costs are expensed as incurred, while they are deferred and amortized over the estimated life of the policies under GAAP; (iii) no provision is made for deferred income taxes; (iv) the factors utilized in establishing certain reserves is different than under GAAP; (v) certain notes are considered surplus rather than debt; (vi) valuation allowances are established against investments, and (vii) goodwill is limited to 10% of an insurer's surplus, subject to a 10 year amortization period.
Statutory Capital and Surplus..	The sum remaining after all liabilities are subtracted from all assets applying statutory accounting practices. An insurance company must maintain minimum levels of statutory capital and surplus under state insurance regulations in order to provide financial protection to policyholders in the event the company suffers unexpected or catastrophic losses.
Underwriting...................	The process whereby an insurer reviews applications submitted for insurance coverage and determines whether it will accept all or part of the coverage being requested and what the applicable premiums should be.
Underwriting Expenses..........	The aggregate of the amortization of deferred acquisition costs and general and administrative expenses attributable to insurance operations.

Background

Through its insurance subsidiaries, the Company offers life, accident and health insurance ("A&H"), which includes Medicare supplement and other medical care policies, as well as property and casualty insurance. In 1995, accident and health (including Medicare supplement) and life insurance accounted for 57.8% of the Company's total net earned premiums, and property and casualty insurance accounted for 42.2% of such premiums. Medicare supplement insurance accounted for 27.4% of the Company's total earned premiums in 1995. The insurance subsidiaries, excluding American Southern, are licensed to do business in a total of 25 states, although 85.1% of the Company's earned premiums in 1995 were derived from the states of Florida, Georgia, Indiana, Mississippi, Missouri, Tennessee, Texas and West Virginia. American Southern is licensed to do business in an additional 4 states.

Accident and health insurance lines, which are offered through the Life Companies, include Medicare supplement, cancer, hospital indemnity, short-term nursing home care, accident expense, and disability insurance. The Life Companies also offer ordinary whole life and term-life insurance policies. The Company's life, accident and health insurance is sold by approximately 2,600 independent agents primarily in the Southeast. Property and casualty insurance lines, which are offered through Georgia Casualty and American Southern, include workers' compensation, automobile insurance, and to a lesser extent, business automobile, general liability and property coverage. The Georgia Casualty lines are sold through a total of 66 independent agents primarily in the states of Mississippi and Georgia. The American Southern lines are sold through a total of 164 independent agents primarily in the Southeast and Midwest.

Life Companies

Atlantic American Life and Bankers Fidelity Life are legal reserve stock life insurance companies which engage in sales of accident and health insurance, as well as ordinary, term, and group life insurance. The Life Companies offer nonparticipating individual life insurance policies having a number of available riders, including double indemnity, waiver or reduction of premium, reducing or increasing term, intensive care, annuity, family term, payor death benefits, waiver of skilled nursing home benefit and a terminal illness payout rider. The accident and health insurance lines include Medicare supplement insurance, as well as cancer, accident expense, disability income, hospital/surgical insurance and short-term care (under one year). The Company is still receiving premiums from the discontinued lines of medical surgical and convalescent care.

In addition, the Life Companies write a small amount of special risk accident and health insurance policies. Substantially all of the accident and health policies offer guaranteed renewals in that the policies are automatically renewable at the option of the policyholder, although the Life Companies have the right, on a state-by-state basis, to adjust premium rates on each class of policies. See "Regulation." The insured may elect to pay premiums monthly, quarterly, semi-annually or annually. Policies lapse if premiums become more than 45 days overdue.

Prior to 1983, the Life Companies primarily wrote life insurance. In May, 1983, the Life Companies introduced a Medicare supplement policy in order to add additional product lines. The Life Companies had determined that they were not well positioned to achieve significant growth in sales of life insurance. For the next five years the Life Companies focused the majority of their resources on marketing Medicare supplement insurance. As legislative changes reduced the attractiveness of writing Medicare supplement insurance, the Life Companies placed a greater emphasis on offering other products. This resulted in a steady decrease in Medicare supplement sales. Beginning in 1986, the Life Companies began broadening their product base to include various supplemental health products. In September, 1986, the Life Companies introduced a convalescent-care policy that provided for payment of benefits for confinement in a licensed nursing facility following a minimum 3 day hospital stay. The Life Companies discontinued the sale of the convalescent-care policy in 1992, when states required companies to eliminate the minimum 3 day hospital stay. The Life Companies' experience indicated that the minimum 3 day hospital stay was a key to prohibiting excessive use or over-utilization based on medical necessity. Net premiums for that product peaked at $5.1 million in 1988, but having discontinued the sale of new policies for that product, earned premiums have declined to $1.2 million in 1995. In 1987, the Life Companies introduced an individual disability income product. The policy provides disability income benefits in periods of one and two years and offers an optional daily hospital indemnity rider. In January, 1988, the Life Companies introduced an accident expense policy which provides for payment of benefits at predetermined rates for accidental injury or death. Accident Expense premium in 1988 was $500,000 and had increased to $2.1 million in 1990 but has decreased to $790,000 in 1995. Also in 1988, the Life Companies introduced a new cancer benefit policy that provides for a lump-sum cash payment upon diagnosis of cancer. Premium for that product was $3.4 million in 1988, but has decreased to $2.2 million in 1995.

In 1990, the Life Companies began updating the life product portfolio. The Life Companies implemented several new life products to penetrate niche markets where these products would have greater appeal and where less competition exists. In 1991, the companies introduced the "Debt Management Program", designed to allow insureds to accumulate funds for the future repayment of college tuition debt. The program's major components consist of a 10-Pay Whole Life Policy with an Annuity Rider. This program updated the outdated "Student Loan Program", which had begun in 1986. The Life Companies also introduced a new life product for the senior market to enhance a portfolio of products that are sold exclusively in that market. The senior market life product's portfolio was revised in 1993 with the introduction of the "Senior Security Life" program. The revised program is comprised of whole life with both standard and preferred underwriting and joint whole life providing replacement of lost social security income. In 1995, new policy riders providing for waiver of premium for skilled nursing facility confinement and acceleration of benefits, up to 25% of original face amount, for terminal illness were added. These enhancements have allowed the Life Companies to remain on the cutting edge of senior market sales. The life products have preferred and standard rates for males and females. Sales in this market have increased in 1995, and the Life Companies expect to see significant growth in 1996 and 1997. In 1995, the Life Companies designed two new level term products for the individual and payroll market, which are intended to replace the old level term product. One product is a standard level term policy, renewable and convertible; the other provides the option to purchase an additional face amount at the current rate for their original issue age, during the second to ninth policy years, in addition to the standard renewable and convertible level term policy benefits. The Life Companies have seen increased sales in other life products that are being sold along with the new senior life products. Renewed emphasis on life sales has produced an increase in life sales for 1992 through 1995. The Life Companies also started updating their current supplemental health products in 1993.

The Life Companies introduced four new or updated health products in 1994. The first product introduced was a short-term care product that provides nursing home coverage for 90, 180, 270 or 360 days. This product enhances the senior citizen portfolio and was designed to target the individuals who cannot afford long-term care insurance. The second product introduced was a new cancer product to be sold on an individual basis and in the payroll market. The benefits were designed to be flexible in order to be able to adjust benefits for the market need. The third product introduced was an enhanced hospital indemnity product. This product was also designed to be sold on an individual basis and in the payroll market. This product was designed to be flexible so benefits could be adjusted depending on the market need. The fourth product introduced in 1994 was a dual disability product. This product provides disability benefits if the insured becomes disabled before age 65 and benefits for nursing facility coverage after age 65. The Life Companies believe this is the first product introduced with these benefits. This product is marketed on an individual and payroll basis. These products continue the Life Companies' plans for a more diversified portfolio and assist in competing in niche markets. They also allow greater expansion of sales in the list bill (billing for more than one insured) and payroll deduction markets. In order to increase product revenues, the Life Companies will continue to place emphasis on the entire line of products and not rely on any one individual product. In 1995, the Companies introduced a new list bill product which will pay a limited doctor benefit for a limited amount of time plus a flat $500 or $1,000 for deductibles and copayments. This product is for the list bill and payroll deduction market and has been designed to enhance the existing small group voluntary products area. Also in 1995, Bankers Fidelity Life introduced a low premium Medicare product to be sold jointly with our senior citizen life products.

The following table sets forth annual premium information regarding the Life Companies' policies offered as of January 1, 1996:

	Range of Premium
Medicare Supplement.........................	$300 to $ 2,220
Short-Term Care (1).........................	$ 9 to $ 399
Other Accident and Health Policies...........	$ 7 to $ 1,440
Ordinary Life (2)...........................	$ 3 to $ 372

The insured may elect to pay premiums monthly, quarterly, semiannually or annually. Policies lapse if premiums become more than 45 days overdue.

The following table summarizes, for the periods indicated, the allocation of the Life Companies' net premiums earned for each of its principal product lines and is followed by a summary of the various policies offered.

	Year Ended December 31,				
	1995	1994	1993	1992	1991
			(in thousands)		
Medicare Supplement........	$ 11,882	$ 13,347	$ 15,052	$ 17,212	$ 19,547
Convalescent Care/Short-Term Care	1,191	1,385	1,628	2,064	2,570
Medical Surgical...........	211	289	389	565	861
Cancer	2,221	2,457	2,726	3,033	3,419
Hospital Indemnity.........	337	414	508	592	798
Accident Expense...........	790	892	992	1,210	1,405
Disability.................	142	155	154	139	100
Total Accident and Health.............	16,774	18,939	21,449	24,815	28,700
Ordinary Life..............	7,037	6,716	5,130	4,362	3,519
Mass Market Life...........	1,260	1,395	1,541	1,769	1,890
Total Life...............	8,297	8,111	6,671	6,131	5,409
Total Accident and Health and Life	$ 25,071	$ 27,050	$ 28,120	$ 30,946	$ 34,109

Medicare Supplement. The Company currently markets 7 of the 10 standardized Medicare supplement policies created under the Omnibus Budget Reconciliation Act of 1990, known as "OBRA 1990" (P.L. 101-508). The Company's existing Medicare supplement policies written before November 6, 1991 ("pre-OBRA 1990 policies") are not subject to the standardized Medicare Supplement policy provisions of OBRA 1990.

The Company's pre-OBRA 1990 policies consist of 4 complete supplements to Part A, and 16 alternative supplements to Part B have been grandfathered. The 16 alternative Part B supplements are essentially differentiated on the basis of their deductible amounts ($0, $100 or $200) and on the basis of the percentage of benefits which apply to Medicare approved charges (20%, 70%, 80% or 100%). The Company believes that the range of benefits under its pre-OBRA 1990 Part B supplements exceeds those of the typical Part B supplements that were available before November 6, 1991.

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(1) Per $10 daily benefit.
(2) Per thousand of face amount.

While a charge must be approved by Medicare before any benefit is paid, the amount of the benefit is based upon the Medicare allowable charge. Approximately 87% of the Company's Medicare Supplement business which was in-force on December 31, 1995, provided more than the minimum 20% coinsurance coverage. Until 1991, such policies were more difficult to rate and incorporated more risk for the Company because physicians and other providers could increase their charges while Medicare did not provide a parallel increase in Medicare allowable charges. The Company would then pay the difference between the actual physician charges and the amount reimbursed by Medicare, not to exceed the policy limits. Uncontrolled increases in physician or provider charges would adversely affect the Company's underwriting results. Benefits based on maximum coverage also result in the Company's absorbing reductions in Medicare physician payments, such as reductions under the Gramm-Rudman-Hollings Act, P.L. 99-177. These increased benefit costs were offset by implementing timely rate increases. OBRA 1990 provides for limits on doctors' and other providers' charges, with maximum caps. These caps have limited increases in charges by doctors and other providers which would be payable by the Company under Medicare supplement policies.

Under OBRA 1990, physicians and other providers now have legal caps on certain charges. Capped physician charges are now having a more stabilizing effect on Medicare costs. This, in turn, has allowed the Company to price its products more effectively. Although OBRA 1990 will not halt medical inflation in general, it will limit the uncontrolled amount of increases in provider charges. The ultimate effect from the imposed caps beginning January 1, 1991, has been to lower loss ratios and improve persistency. This in turn has had a stabilizing effect on Medicare supplement rates in general. Fewer and lower overall rate increases have been necessary in order to manage and maintain the Life Companies' Medicare supplement blocks of business.

Under OBRA 1990, a company can only offer Medicare supplement policies which conform to one of the 10 standardized policies established by the Federal Government. The Company markets 7 of these plans, including the required core policy with basic benefits. The 3 plans not marketed by the Company provide prescription drug benefits.

OBRA 1990 also mandated certain other provisions that significantly changed the Company's operation:

(1) mandated federal certification of policies through each state;

(2) prohibition of the sale of duplicate coverages;

(3) a mandated loss ratio on individual policies with premium credits and/or rebates if the standard is not met; and,

(4) a prohibition against denying or limiting coverage on the basis of an applicant's health condition during the first 6 months in which an applicant is eligible for Medicare.

Controlled provider caps have reduced the amount physicians can charge, which has had a direct bearing on the Life Companies' claim experience. Because of this, in 1994 and 1995 the Life Companies have had limited rate increases. The Life Companies also introduced area factors that will reduce rates in various geographic areas.

The technical corrections amendment (HR 5252 Social Security Act of 1994), passed in April 1995 and made effective April 28, 1995, gave states with yearly legislative sessions until April 1996 to adopt the amendment and until 1997 for those states with alternating year legislative sessions to adopt the provisions of the new act.

The act covered items (2) and (4) above, mandated by OBRA 1990. Item (2) was clarified to mean duplication of coverage from any other Medicare supplement policy. Item (4) above was amended to cover Medicare beneficiaries under the age of 65.

Convalescent Care (Long-Term Care). The Life Companies discontinued the sale of this product in 1992 as each state had passed legislation eliminating the required minimum 3 day hospital stay. It was the Company's experience that the minimum 3 day hospital stay was the key to prohibiting excessive use or over utilization based on medical necessity.

Cancer, Cancer PLUS and New Cancer. The Life Companies offer several policies providing for payment of benefits in connection with the treatment of diagnosed cancer. The traditional cancer policies provide for fixed dollar payments pursuant to a scheduled benefit chart and provide benefits on an individual, joint or family basis. The Cancer PLUS policy, introduced in 1988, includes a lump-sum payment upon diagnosis of internal cancer. In late 1994 a higher limit cancer policy, Cancer Care Solution, was introduced to complement the existing cancer portfolio and to improve benefits to this market. A modified version of Cancer Care Solution is also used in the payroll market.

Hospital/Surgical. In 1992, the Life Companies introduced a new limited benefit hospital/surgical indemnity policy. It is intended for the market where consumers have difficulty in affording major medical coverage. Due to this product's moderate cost, it is considered to have the potential to penetrate effectively this market. During 1992 through 1994, the Federal Government was offering subsidies to lower income persons for the purpose of buying health insurance. This was also at a time when state and federal governments, as well as the insurance industry itself, were concerned about the lack of affordable health-care products. This policy was designed to qualify for the government subsidy and be affordable. In 1994 the government subsidy was eliminated, so this product was updated to be more flexible by giving options on benefits such as daily hospital confinement and making other benefits optional instead of mandatory to meet the needs of the insuring public. Each benefit is subject to a maximum which was designed to protect the Company against excessive claims. This product is also used in the payroll market.

Medical Indemnity. In 1995, the Life Companies designed and filed a new Medical Indemnity product. The policy provides an indemnity for visits to a physician's office or emergency room and a benefit for a routine physical examination once a year for each insured person. The benefits are available in a variety of pre-set levels. Optional benefits are available to provide a lump-sum benefit and/or daily indemnity for hospital confinement. This voluntary health product, intended for both the individual and payroll market, fills the gaps in coverage, such as deductibles and co-payments, left by more comprehensive medical policies.

Accident Expense. In January, 1988, the Company introduced an accident expense policy which provides death or dismemberment benefits due to an accidental injury. In addition, the policy offers compensation for lost wages, hospital indemnity and emergency medical service within certain prescribed limits. Policyholders can elect full or half coverage. Past revisions to the benefits available under this policy and premium increases implemented in 1991 and 1992, have made this product profitable. Management believes that this product line will continue to grow as traditional health policies become more expensive and consumers seek supplemental policies as a replacement for expensive health insurance. The Company will continue to place greater emphasis on these policies, as well as expand the product line. This product is also used in the payroll market.

Short-Term Care (Nursing Home Coverage With Benefits Less Than One Year). In the first quarter of 1994, the Life Companies developed a Short-Term Care product. This product serves that part of the market that cannot afford to buy the higher priced mandated coverage of long-term care products. When long-term care mandates have been fully implemented, it would appear that even if Congress makes the premium tax deductible, it would not reduce long-term care rates so that it would be affordable to more than the minority of the available market. Statistics show that approximately 75% of nursing home stays are for less than one year. But even if there is a longer confinement, Short-Term Care coverage will give time to plan how to afford a long-term confinement with existing family assets. More states are realizing that Medicaid, which pays approximately 50% of present nursing home care, is the fastest growing part of the state budget. It is likely that there will be future spending cuts on Medicaid, which will reduce long-term care coverage and increase the need for private coverage, in which short-term care coverage will be an alternative affordable product. This product would cover nursing home stays of which, at present, approximately 75% are less than one year.

Ordinary Life. The Life Companies offer various whole life insurance policies. The cost of a whole life policy is averaged over the policyholder's expected lifetime, costing more than comparable term insurance when the policyholder is younger but less as the policyholder grows older. A whole life policy combines protection with a savings plan that gradually increases in amount over time. The policyholder may borrow against the cash value or use it as collateral for a loan. Policy loans typically are at a rate of interest lower than rates available from other lending sources. The policyholder may also choose to surrender the policy and receive the cash value rather than continuing the insurance protection. The Life Companies expanded their product line by offering a preferred product and have continued to monitor experience and update the application as needed. These revisions and updates have resulted in increased sales.

Term Life Insurance. The Life Companies offer several term policies, including an annual renewable term, a 5, 10, and 20-year level, a decreasing term policy, and a 10, 15, and 30-year mortgage term at amortized interest rates. In 1995, the Life Companies developed two 10-year term products. One product was developed for individuals who are interested in a low premium product. The second product allows the insured to purchase additional insurance at their original issue age.

Disability Products. Since 1987 the Life Companies have offered a one and two year disability product with benefits up to $1,000 of monthly income beginning after 30 days of continuous disability. Policies are available on a list bill and/or payroll deduction, as well as on an individual basis. During 1994, a new type of disability product was designed with larger benefits and for utilization in the payroll market. The Dual Disability product transforms at 65 to the Short-Term Care product at reduced rates. Disability products cover both sickness and accident. The Dual Disability has benefits that range from 6 months to age 65 with additional benefit periods including 1 year, 2 years, and 5 years with elimination periods of 30, 60, 90, 180, and 360 days. Dual Disability is also offered through the payroll market.

Group Term Life. New term products will also be used with group underwriting with the payroll deduction program, including yearly renewable term and 10-year term.

Mass Market Life. Prior to 1984, the Company actively marketed, through extensive newspaper and radio advertising, guaranteed issue life policies to persons aged 40 through 80, subject to maximum policy limits paying from $20,100 at age 40 to $3,420 at age 80. The Company presently receives approximately $1.2 million of annualized premiums from existing policyholders who subscribed to the mass marketed life policies.

Georgia Casualty

Georgia Casualty is a commercial insurance company engaged in the sale of most commercial lines of insurance. Georgia Casualty focuses much of its efforts on the Workers' Compensation insurance line. However, as part of a diversification plan, significant premium volume is written in other commercial areas. As part of Georgia Casualty's diversification efforts, the company has altered the industries it targets to provide coverages. Specifically, Georgia Casualty now has a significant book of business in manufacturing industries where the cause of loss can more easily be identified and thus corrected. Georgia Casualty also provides a significant volume of coverage for service industry accounts and for artisan contractors. Georgia Casualty has continued to discontinue issuing policies in high risk industries and in certain geographic areas where the regulatory environment is less favorable to casualty insurers. In particular, the Company ceased issuing new policies to customers in the wood products industry in 1991 and is very selective in renewing any accounts in that industry -- focusing only on those customers with stringent safety and loss control standards. Although Georgia Casualty writes many monoline accounts, the Company makes every effort to provide each insured with a full range of coverages, including Workers' Compensation, Business Automobile Coverage, General Liability and Property Coverage. In addition, Georgia Casualty also provides a Commercial Umbrella policy for limits up to $5,000,000.

Georgia Casualty's rates are determined in accordance with the factors promulgated by the National Council on Compensation Insurance and by the Insurance Services Office. In most cases, these are loss cost rates which are then modified by Georgia Casualty to reflect its own experience and cost factors in order to produce a final rate.

The following table summarizes, for the periods indicated, the allocation of Georgia Casualty's net premiums earned for each of its principal product lines and is followed by a summary of the various policies offered.

	Year Ended December 31,				
	1995	1994	1993	1992	1991
			(in thousands)		
Workers' Compensation.......	$14,954	$11,958	$9,890	$ 8,640	$14,998
Business Automobile.........	1,436	1,054	953	974	1,691
General Liability...........	1,025	1,065	1,180	1,842	2,742
Property............	887	574	801	362	186
Total Casualty..	$18,302	$14,651	$12,824	$11,818	$19,617

Workers' Compensation. Georgia Casualty offers workers' compensation insurance policies to provide disability and medical benefits to insured workers for injuries sustained in the course of their employment. All other lines of business primarily are written in connection with workers' compensation.

Business Automobile. Georgia Casualty offers a business automobile policy which provides for bodily injury or property damage liability coverage, uninsured motorists coverage and physical damage coverage.

General Liability. Georgia Casualty offers general liability policies covering bodily injury and property damage liability for both premises and completed operations exposures for general classes of business.

Property. Georgia Casualty offers property insurance policies for payment of losses to real and personal property caused by fire and other perils.

Georgia Casualty has concentrated its efforts in those states and industries which Management believes offer the greatest opportunity for profit. Specifically, Georgia Casualty is concentrating its efforts for new business in the states of Georgia and

Mississippi. The workers' compensation line has in prior years been subject to large assessments for the Residual Market Reinsurance Pool in most states. This has been particularly true in the states of Alabama and Florida, where Georgia Casualty elected to discontinue all workers' compensation exposures. The last voluntary market policies in these two states expired in 1992.

During 1992, Georgia Casualty entered into agreements with the states of Florida, South Carolina, Tennessee and Texas to limit writings to a specified amount or voluntarily discontinue writing. At the end of 1993, the company elected to discontinue writing any business in the state of Alabama effective March 1, 1994, due to the legal environment in Alabama.

American Southern

American Southern is a multiple-line property and casualty company primarily engaged in the sales of automobile insurance. American Southern specializes in the handling of block accounts such as states and municipalities, which are sufficiently large enough to establish separate class experience.

American Southern is licensed in 18 states in the Southeast and Midwest to write all forms of property and casualty insurance except workers' compensation. It is authorized to write business on a surplus line basis in an additional seven states. During the past 5 years, American Southern has historically derived at least 85% of its premium revenue from auto liability and auto physical damage coverage.

Because of competitive factors, American Southern has reduced its writings of automobile physical damage business and increased its writings of auto liability insurance.

Marketing

Life Companies. The Life Companies' policies are marketed by commissioned, independent agents. In general, the Life Companies enter into contractual arrangements with general agents who, in turn, contract with independent agents. The standard agreements set forth the commission arrangements and are terminable by either party upon thirty days notice. General agents receive an override commission on sales made by agents associated with them.

The Life Companies believe utilizing direct writing experienced agents, as well as independent general agents who recruit and train their own agents, is more cost effective. All independent agents are compensated on a "commission basis", which the Life Companies administer. Another benefit of using independent agents is the Life Companies ability to expand its sales force at any time without significant additional expense.

The number of independent agents has varied from approximately 2,700 in 1983 to approximately 12,000 in 1987 and approximately 2,600 presently. A more selective agent selection process was begun in 1988. During 1993, emphasis was placed on recruiting more independent agents who would write life insurance and other lines of business directly with the Life Companies. The agents concentrate their sales activities in either the accident and health or life insurance product lines. A majority of the agents concentrated on marketing supplemental health insurance policies prior to 1993. Beginning in 1993, an emphasis was placed on the marketing of the new expanded senior citizen life product portfolio and as a result, the senior citizen life product sales were a large part of the sales increase for the Life Companies. During 1995, a total of 1,046 agents wrote policies on behalf of the Life Companies, and 23% of those agents accounted for 80% of the Life Companies' annualized first year premium.

Products of the Life Companies compete directly with products offered by other insurance companies, as agents may represent several insurance companies. The Life Companies endeavor to motivate their agents to market their products by offering the following agency services: a unique lead system, competitive products and commission structures, efficient claims service, prompt payment of commissions, simplified policy issue procedures, and annual sales incentive programs, as well as in some cases protected counties and/or zip codes. From 1990 through 1995, several new marketing programs such as education and retirement funding, packaged marketing and payroll deduction were implemented to promote updated policies offered by the Life Companies. Management believes that by better meeting the needs of the insureds, those products will produce greater premium growth from life insurance sales. Additionally, the Life Companies have a combined staff of 16 employees whose primary function is to facilitate the activities of the agents and to act as liaisons between the agents and the Life Companies.

A distribution sales system was implemented with the introduction of the Life Companies' Senior Security Series whole life plans. This distribution system for the senior security product line is centered around a lead generation plan which rewards qualified agents with direct mail leads in accordance with monthly production requirements. In addition, a protected territory is established for each qualified agent which entitles him to all leads produced within that territory. The territories are zip-code or county based and include enough territory to produce a minimum senior populace of 12,000. To allow for the expense of lead generation, commissions were lowered on the Life Companies' senior citizen life plans. In addition, the Life Companies' recruit at a general agent level rather than a managing general agent level in an effort to reduce commission expenses further. The Life Companies' domicile state of Georgia was used as a test market for this new distribution and lead generation system. The results have been above expectations. Distribution has now been expanded to ten additional states.

This system solves an agent's most important dilemma, prospecting, and allows the Company the opportunity to build a long-term relationship with individual producers who view the Life Companies as their primary company. In addition, the Life Companies' product line is less sensitive to competitor pricing and commissions because of the perceived value of the protected area and the lead generation plan. The Company believes life sales will be increased through this distribution channel because of the need for the agent to place all of his business with the Company in order to obtain the maximum number of leads. Through this distribution channel, production per agent contracted has increased substantially when compared to the Life Companies' general brokerage division.

Georgia Casualty. Georgia Casualty's marketing efforts are directed by two marketing representatives for the states of Georgia and Mississippi. A marketing representative handles the marketing in the state of Mississippi. The two marketing representatives assist agents in the sale and distribution of Georgia Casualty's insurance products. Marketing efforts are complemented by the entire underwriting staff which is available to assist the agents in the presentation of all insurance products and services.

Georgia Casualty operates through a field force totaling 66 independent agencies. Each agency is a party to a standard agency contract that sets forth the commission structure and can be terminated by either party upon thirty days notice. Georgia Casualty also offers a profit-sharing arrangement to its highest performing agents that allows the agents to earn an additional commission if specific performance and premium growth goals are achieved. Currently, 49 agencies participate in the bonus arrangement.

American Southern. American Southern specializes in the handling of block accounts such as states and municipalities which are sufficiently large enough to establish separate class experience. All of American Southern's business is marketed through independent agents. The premium on some of the larger accounts is adjusted based on each account's loss ratio. American Southern's auto physical damage business consists primarily of long-haul physical damage insurance produced by agents specializing in insurance for truckers. These accounts are subject to retrospective commission agreements which provide that a portion of the commission paid to the agent is determined by the profitability of the business produced.

Underwriting

Life Companies. The Life Companies issue life insurance policies with face amounts of no less than $1,000. Life policies other than the Senior Citizen Market Life products are issued without medical examinations, subject to maximum policy limits ranging from $100,000 for persons under age 31 years of age to $25,000 for persons under age 51. Medical examinations are required in connection with the issuance of life insurance policies in excess of these limits and for any amount on policies issued to customers over age 50. Approximately 95% of the net premiums earned for life insurance sold during 1995 were derived from life insurance written below the Life Companies' medical limits. For the senior market, the Life Companies issue special life products on an accept-or-reject basis with a face amount from $15,000 at age 45 to a face amount of $2,000 at age 85. The Life Companies retain a maximum amount of $50,000 with respect to an individual life. See "Reinsurance."

The Life Companies establish collective underwriting practices. Applications for insurance are reviewed to determine any additional information required to make an underwriting decision, depending on the amount of insurance applied for and the applicant's age and medical history. Such additional information may include the Medical Information Bureau Report, medical examinations, statements from doctors who have treated the applicant in the past and, where indicated, special medical tests. If deemed necessary, the Life Companies will use investigative services to supplement and substantiate information. For certain limited coverages, the Life Companies have adopted simplified policy issue procedures by which the applicant submits a short application for coverage typically containing only a few health related questions instead of a presentation of the applicant's complete medical history. At present, approximately 20% to 30% of the senior citizen life applicants are canvassed by telephone through age 79 on the standard product and up to age 75 on the preferred. For ages 80 and above, 100% of the standard applicants are canvassed. All telephone canvassing is handled by the underwriting department. Applications not meeting the underwriting criteria are then declined or additional information requested.

Georgia Casualty. During recent years, Georgia Casualty made the decision to concentrate its underwriting efforts in only those states with reasonable probability of profit. That decision appears to be showing very positive results. Also, the company has developed a team approach to underwriting with respect to both new submissions and renewal policies. The new submission team generally includes: (1) agents; (2) underwriting staff; (3) Loss Control staff; and (4) the Claims Department, on occasion. By getting active input from each of these teams regarding submissions, the Company has improved its selectivity. Georgia Casualty also carries the team approach to Renewal Reviews. All accounts are reviewed by a group including Underwriting, Loss Control, Accounting, and Claims personnel. Each individual with first-hand information regarding an account is invited to share their information with the group. The results of these changes can be seen in the change in underwriting profit.

During the course of the policy year, extensive use is made of Loss Control Representatives to assist Underwriters with information in identifying and correcting potential loss exposures. The results of each product line are reviewed on a stand-alone basis. When the results are below expectations, management attempts to take corrective action on that line. The action may include raising rates, reviewing underwriting standards, altering or declining to renew accounts at expiration, and/or terminating agencies with an unprofitable book of business.

Until September 30, 1991, Georgia Casualty was a member of the National Workers' Compensation Reinsurance Pool, which is a national reinsurance fund for policies allocated to insurers under various states' workers' compensation assigned risk laws for companies that cannot otherwise obtain coverage. Losses sustained by the pool are allocated to the members participating therein. In September 1991, Georgia Casualty was asked to collateralize that liability to the pool. Georgia Casualty chose not to collateralize that liability and withdrew from the pool.

On December 30, 1994, Georgia Casualty reached an agreement with the National Council on Compensation Insurance, Inc.,(NCCI) to settle the workers' compensation liabilities with the workers' compensation pool. The results of this settlement were a release of $13.7 million in workers' compensation pool reserves from the balance sheet and a one-time reduction of $4.8 million in the loss provision in the statement of operations. The credit received in 1994 represents the income effect for accident years 1991 and prior. There was no impact on earnings in 1995 from this settlement with NCCI in 1994.

Georgia Casualty has been a Direct Assignment carrier in Georgia receiving the assignment of direct workers' compensation policies from the state of Georgia rather than participating in the assigned risk pool since September 1991. Georgia Casualty has 957 direct assignment workers' compensation policies in force with a total net earned premium of $4.0 million in 1995. The loss experience on the Direct Assignment business is significantly better than the loss experience on the policies that the Company was assigned through the National Workers' Compensation Reinsurance Pool.

Operating Results

The following table sets forth on a statutory basis the incurred losses and loss ratios for the Company's Accident & Health insurance lines and the incurred loss and expense ratios and combined ratios for the Company's casualty business (excluding American Southern) during the past five years.

	Year Ended December 31,				
	1995	1994	1993	1992	1991
		(dollars in thousands)			
Accident and Health Insurance					
MEDICARE SUPPLEMENT:					
Incurred losses	$ 6,688	$ 7,582	$ 8,284	$10,403	$11,297
Loss ratio	57.6%	57.8%	56.6%	61.8%	59.8%
CONVALESCENT CARE:					
Incurred losses	$ 1,393	$ 1,486	$ 1,861	$ 2,404	$ 1,965
Loss ratio	121.0%	110.3%	121.3%	124.8%	2.4%
MEDICAL SURGICAL:					
Incurred losses	$ 148	$ 170	$ 279	$ 408	$ 565
Loss ratio	78.8%	61.4%	84.2%	81.0%	75.2%
CANCER:					
Incurred losses	$ 714	$ 885	$ 1,035	$ 1,218	$ 1,431
Loss ratio	32.9%	37.0%	39.1%	41.4%	42.8%
HOSPITAL INDEMNITY:					
Incurred losses	$ 171	$ 206	$ 215	$ 266	$ 608
Loss ratio	52.9%	51.4%	65.8%	48.5%	79.6%
ACCIDENT EXPENSE:					
Incurred losses	$ 173	$ 526	$ 622	$ 1,204	$ 712
Loss ratio	21.9%	58.9%	62.7%	99.7%	51.5%
DISABILITY INCOME:					
Incurred losses	$ 72	$ 84	$ 90	$ 39	$ 15
Loss ratio	50.7%	53.2%	58.5%	26.2%	15.7%
TOTAL ACCIDENT AND HEALTH:					
Incurred losses	$ 9,359	$10,939	$12,386	$15,942	$16,593
Loss ratio	57.2%	58.9%	59.6%	66.1%	60.1%
Property and Casualty					
WORKERS' COMPENSATION:					
Incurred losses	$12,152	$ 4,884	$ 8,709	$13,606	$18,205
Loss ratio	81.3%	41.7%	88.6%	145.9%	137.2%
BUSINESS AUTOMOBILE:					
Incurred losses	$ 1,373	$ 737	$ 250	$ 576	$ 385
Loss ratio	95.6%	70.0%	26.2%	59.1%	37.0%
GENERAL LIABILITY:					
Incurred losses	$(1,177)(1)	$ 1,431	$ 1,015	$ 1,054	$ 2,110
Loss ratio	-	134.5%	86.0%	57.2%	90.2%
PROPERTY:					
Incurred losses	$ 573	$ 275	$ 227	$ 359	$ 83
Loss ratio	64.6%	47.2%	33.4%	134.8%	198.9%
TOTAL PROPERTY AND CASUALTY:					
Incurred losses	$12,921	$ 7,327	$10,201	$14,595	$20,783
Loss ratio	70.6%	50.9%	79.5%	123.5%	121.6%
Expense ratio	30.6%	29.8%	33.1%	32.3%	29.7%
Combined ratio	102.4%	114.0%	112.6%	155.8%	151.3%

(1) Includes adjustment to reallocate reserves to workers' compensation.

See "Reserves" for analysis of loss development and reserves.

Premiums to Surplus Ratio

The following table shows, for the periods indicated, the statutory ratios of net premiums earned to statutory capital and surplus for Georgia Casualty. Guidelines established by the NAIC provide that this ratio for property and casualty companies should not be greater than 300%. See "NAIC Ratios."

	Year ended December 31,				
	1995	1994	1993	1992	1991
	(dollars in thousands)				
Georgia Casualty					
Net premiums earned............	$18,302	$14,651	$12,824	$11,818	$19,617
Statutory capital and surplus......................	$11,687	$ 9,663	$ 5,740	$ 5,293	$ 5,545
Premiums to surplus ratio......	157%	152%	223%	223%	354%

NAIC Ratios

The NAIC was established to provide guidelines to assess the financial strength of insurance companies for state regulatory purposes. The NAIC conducts annual reviews of the financial data of insurance companies primarily through the application of 13 financial ratios prepared on a statutory basis. The annual reports are submitted to state insurance departments to assist them in monitoring insurance companies in their states and to set forth a desirable range in which companies should fall in each such ratio.

The NAIC suggests that insurance companies which fall outside of the "usual" range in four or more of the financial ratios are those most likely to require analysis by state regulators. However, according to the NAIC, it may not be unusual for a financially sound company to have several ratios outside the "usual" range, and in normal years the NAIC expects 15% of the companies it tests to be outside the "usual" range in four or more categories.

Life Companies. For the year ended December 31, 1995, Atlantic American Life was within the NAIC "usual" range in all 13 financial ratios. For the year ended December 31, 1995, Bankers Fidelity Life was outside the NAIC "usual" range for one ratio -- change in premium.

Georgia Casualty. For the year ended December 31, 1995, Georgia Casualty was outside the NAIC "usual" range for one ratio -- the estimated current reserve deficiency to surplus.

American Southern. For the year ended December 31, 1995, American Southern was within the NAIC "usual" range in all 13 financial ratios.

Risk-Based Capital

Risk-Based Capital ("RBC") is a method of measuring the amount of capital appropriate for a company to support its overall business operation in light of its size and risk profile. RBC is used by rating agencies and regulators as an early warning tool to identify possibly weakly capitalized companies for the purpose of initiating further regulatory action.

The RBC calculation determines the amount of Adjusted Capital that is required by a company to avoid regulatory action. An amount titled "Authorized Control Level Risk-Based Capital" ("ACL") is calculated. If a company's Adjusted Capital is 200% or lower than the ACL, they will be subject to regulatory action. At December 31, 1995, all of the Company's insurance subsidiaries exceeded the regulatory levels for required RBC.

Policyholder Services and Claims

The Company believes that prompt, efficient policyholder services are essential to its continued success in marketing its insurance products. See "Competition." Additionally, the Company believes that persons, to whom the Company markets its insurance products, are particularly sensitive to the time required to process claims and the accessibility of insurers to answer inquiries. Accordingly, the Company's policyholder and claims services include expeditious disposition of service requests with toll-free telephone lines to its home office for all customers.

During 1994 and 1995, several of the Company's plans for faster, better service were implemented. The Company purchased an AS400 client server system as the key element to have all departments on-line with the client database. The Company commenced implementation and training for the new system in April 1994 and expects it to become fully operational by the first quarter of 1996. This new system will allow data to be readily available to all departments and will improve the turnaround time in all areas of service.

In 1995, a Customer Awareness Program was implemented company-wide and at all levels of personnel. It was mandatory that all levels of personnel attend these meetings and receive the classes on customer service. The program has become the basis for the Company's philosophy for servicing its customers. Expanded hours in all service areas began in the first quarter of 1995 to serve the customers and agents in other time zones.

Life Companies. At the same time the new system is being implemented, several other changes are taking place within the Life Companies. A new department was established in the second quarter of 1994 to ensure that agents receive prompt service. This allows the marketing team to concentrate on building production and achieving the Life Companies' production goals. The claims department for the Life Companies consists of approximately 17 people located at the Company's home office in Atlanta. Claim forms are provided to all insureds with their accident and health policies. With respect to life policies, when the proper documentation is received, the claim is entered into the Life Companies' claims system. The computerized claims system has been enhanced to enable the Life Companies to pay all properly documented claims within three to nine business days of receipt. A properly documented Medicare supplement claim includes an Explanation of Medicare Benefits form provided to the insured by the Federal Government. During 1995, the Life Companies paid approximately 99,000 claims aggregating $13.1 million, of which approximately 94,000 claims aggregating $7.1 million were for Medicare supplement insurance. The total amount of claims paid represented approximately 52.9% of total accident and health and life written premium revenue and Medicare supplement claims paid represented 28.6% of total accident and health and life earned premium revenue. The Life Companies continually monitor their claims backlog and endeavor to implement appropriate corrective action to maintain an average of a five-day payment period.

Georgia Casualty. In 1995, Georgia Casualty completed the implementation of a new property-casualty software package to improve efficiency and productivity. This new system should enable the company to reduce underwriting expenses in 1996, although no impact of this upgrade was recognized for 1995. Efficiency and productivity should improve with the new computer system which should lower the combined ratio in 1996. Additionally, the company has positioned itself to provide strong customer service to its policyholders. The claims department of Georgia Casualty consists of 16 people located at the home office in Atlanta. Georgia Casualty controls its claims costs by utilizing an in-house staff of adjusters to investigate, verify, negotiate and settle claims. Upon notification of an occurrence purportedly giving rise to a claim, the claims department makes a preliminary investigationto determine whether an insurable event has occurred and, if so, records the claim. This process usually occurs within 10 days of notification of the claim. Where appropriate, the company utilizes independent adjusters and appraisers to service those claims which require on-site inspections. Georgia Casualty believes that its prompt claims service provides a favorable basis for competition.

In 1994, Georgia Casualty implemented a new loss prevention and rehabilitation service called Early Injury Management. This program should prove to be a sound strategy in reducing insurance claim costs for the employers and insurance company and providing better medical treatment for the injured employee. The Claims Department was increased by two case managers with the responsibility of the administration of the program.

American Southern. American Southern controls its claims costs by utilizing its in-house staff of claim supervisors to investigate, verify, negotiate and settle claims. Upon notification of an occurrence reportedly giving rise to a claim, the claims department makes a preliminary investigation, initially determines whether an insurable event has occurred and, if so, records the claim. American Southern frequently chooses to utilize independent adjusters and appraisers to service those claims which require on-site inspections.

Reserves

The following table sets forth information concerning the Company's losses and claims and LAE reserves for the periods indicated.

	1995	1994
Balance at January 1	$40,730	$54,762
Less: Reinsurance recoverables	(12,334)	(11,063)
Net balance at January 1	28,396	43,699
Incurred related to:		
Current year	17,017	22,900
Prior years	5,364	(3,289)
Total incurred	22,381	19,611
Paid related to:		
Current year	13,743	14,548
Prior years	8,398	20,366
Total paid	22,141	34,914
Reserves acquired due to acquisition, net	28,411	-
Net balance at December 31	57,047	28,396
Plus: Reinsurance recoverables	11,893	12,334
Reinsurance recoverables acquired due to acquisition	10,574	-
Balance at December 31	$79,514	$40,730

Life Companies. The Life Companies establish reserves for future policy benefits to meet future obligations under outstanding policies. These reserves are calculated to meet policy and contract obligations as they mature. The amount of reserves for insurance policies is calculated using assumptions for interest rates, mortality and morbidity rates, expenses and withdrawals. Reserves are adjusted periodically based on published actuarial tables with some modification to reflect actual experience. See Note 3 of Notes to Consolidated Financial Statements for the year ended December 31, 1995.

Georgia Casualty. Georgia Casualty maintains reserves representing estimates of amounts needed for the payment of losses and LAE. The company also maintains IBNR reserves and bulk reserves for future developments. Loss reserves are estimates at a given point in time of amounts that the insurer expects to pay on incurred claims, based on known facts and circumstances. Reserves for LAE are intended to cover the ultimate costs of settling claims, including investigation and defense of lawsuits resulting from such claims. The amount of loss reserves for reported claims is based on a case-by-case evaluation of the type of claim involved, the circumstances surrounding the claim and the policy provisions relating to the type of loss. The LAE for claims reported and claims not reported is based on historical statistical data and anticipated future development. Inflation and other factors which may affect claim payments are implicitly reflected in the reserving process through analysis of cost trends and reviews of historical reserve results, although it is difficult to measure the effect of any one of these considerations on the ultimate accuracy of reserve estimates. Loss and LAE reserves are annually reviewed by qualified independent actuaries.

Georgia Casualty provides for insurance benefits on casualty claims based upon: (a) Management's estimate of ultimate liability and claim adjusters' evaluations for unpaid claims reported prior to the close of the accounting period, (b) estimates of incurred but not reported claims based on past experience, and (c) estimates of loss adjustment expenses. The estimated liability is continually reviewed and updated, and changes to the estimated liability are recorded in the statement of operations in the year in which such changes are known. Some of the major assumptions about anticipated loss emergence patterns have changed in the last few years.

The following table sets forth the development of balance sheet reserves for unpaid losses and LAE for Georgia Casualty and American Southern's insurance lines ("long-tail" lines) for 1985 through 1995. This table does not present development data on an accident or policy year basis. The top line of the table represents the estimated amount of losses and LAE for claims arising in all prior years that were unpaid at the balance sheet date, including an estimate of losses that have been incurred but not yet reported. The amounts represent initial reserve estimates at the respective balance sheet dates for the current and all prior years. The next portion of the table shows the cumulative amounts paid with respect to claims in each succeeding year. The lower portion of the table shows the reestimated amount of the previously recorded reserve based on experience as of the end of each succeeding year.

The reserve estimates are modified as more information becomes known about the frequency and severity of claims for individual years. The "cumulative deficiency" for each year represents the aggregate change in such year's estimates through the end of 1995. In evaluating this information, it should be noted that the amount of the deficiency for any year represents the cumulative amount of the changes from initial reserve estimates for such year. Operations for any one year are only affected, favorably or unfavorably, by the amount of the change in the estimate for such year. Conditions and trends that have affected development of the statutory reserves in the past may not necessarily occur in the future. Accordingly, it is not appropriate to predict future redundancies or deficiencies based on the data in this table.

	Year ended December 31,										
	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
Reserve for losses and LAE	$53,320	$50,154	$48,031	$48,485	$50,808	$52,668	$47,819(1)	$39,036	$35,770	$28,848	$19,275
Cumulative paid as of:											
One year later.....		16,548	18,106	18,827	22,060	22,837	21,321	21,592	20,812	16,948	17,736
Two years later....			25,914	27,731	32,560	35,278	33,507	32,352	32,975	27,743	26,190
Three years later..				36,786	38,046	40,768	40,891	39,832	39,168	34,657	31,789
Four years later...					41,872	44,267	43,745	43,713	43,249	38,163	35,689
Five years later...						47,204	46,183	45,767	46,004	40,938	37,889
Six years later....							48,056	47,880	47,727	42,412	40,129
Seven years later..								49,674	49,671	43,750	41,307
Eight years later..									50,987	45,284	42,218
Nine years later...										46,202	43,250
Ten years laters...											43,873
Ultimate losses and LAE reestimated as of:											
End of Year........	$53,320	$27,766	$26,599	$29,154	$32,428	$33,338	$32,756(1)	$27,313	$27,253	$21,437	$13,683
One year later.....		46,249	47,021	46,756	53,700	53,316	53,212	47,314	40,990	33,083	32,311
Two years later....			44,043	45,999	52,670	55,919	54,438	53,998	49,569	39,413	35,950
Three years later..				48,446	53,040	55,865	56,064	55,313	55,752	46,596	39,360
Four years later...					52,326	56,514	55,707	56,255	55,511	51,852	45,619
Five years later...						56,648	56,579	56,403	56,408	51,184	50,077
Six years later....							56,984	57,446	56,868	51,694	49,183
Seven years later..								58,142	57,901	52,089	49,528
Eight years later..									58,626	52,972	49,725
Nine years later...										53,339	50,267
Ten years later....											50,529
Cumulative deficiency.........		$ 3,905	$ 3,988	$ 39	$(1,518)	$(3,980)	$(9,165)	$(19,106)	$(22,856)	$(24,491)	$(31,254)

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(1) Restated due to adjustment of $4.7 million for elimination of structured annuities changed to reinsurance in 1990.

Reinsurance

The insurance subsidiaries purchase reinsurance from unaffiliated insurers and reinsurers in order to reduce liability on individual risks and to protect against catastrophic losses. In a reinsurance transaction, an insurance company transfers, or "cedes," a portion or all of its exposure on insurance written by it to another insurer. The reinsurer assumes the exposure in return for a portion of the premiums. The ceding of insurance does not legally discharge the insurer from primary liability for the full amount of policies written by it, and the ceding company must pay a loss if the reinsurer fails to meet its obligations under the reinsurance agreement. American Southern is currently the only subsidiary of the Company that assumes reinsurance from other insurance companies.

Life Companies. The Life Companies have entered into reinsurance contracts ceding the excess of their retention to several primary reinsurers. Maximum retention by the Life Companies on any one individual in the case of life insurance policies is $50,000. At December 31, 1995, the Life Companies had reinsured $10.0 million of the $230.0 million of life insurance then in force, generally under yearly renewable term agreements. Two companies accounted for the $10.0 million of reinsurance: Munich American Reassurance Company ($7.0 million) and Optimum Reinsurance ($3.0 million). Certain reinsurance agreements no longer active for new business nonetheless remain in-force to cover any claims on a run-off basis.

Georgia Casualty. Effective January 1, 1996, Georgia Casualty has strengthened and improved its reinsurance program. There are currently in place treaties which apply to all casualty lines of business. This includes Workers' Compensation, General Liability, Commercial Automobile Liability, and Umbrella Liability. Georgia Casualty's basic treaties cover all casualty claims in excess of $200,000 up to $5.0 million. These basic treaties are supplemented with additional per person treaties to $5.0 million per person, and additional catastrophe treaties for Workers' Compensation to a maximum of $50.0 million for any one occurrence.

The property lines of coverage are protected with an excess of loss treaty, which affords recovery for property losses in excess of $100,000 up to a maximum of $2.0 million. Facultative arrangements are in place for property accounts with limits in excess of $2.0 million per risk.

Of the $11.9 million of reinsurance recoverable on unpaid losses by Georgia Casualty at December 31, 1995, First Colony Life Insurance Company accounted for $4.2 million, Lloyds of London and other London based companies accounted for $1.2 million, and Pennsylvania Manufacturer's Associated Insurance Company accounted for $2.8 million. A number of reinsurance companies, both domestic and foreign, account for the balance.

American Southern. The limits of risks retained by American Southern vary by type of policy and insured, and amounts in excess of such limits are reinsured. The largest net amount insured in any one risk is $100,000. Reinsurance is maintained as follows: for fire, inland marine, and commercial automobile physical damage, recovery of losses over $30,000 up to $100,000. Net retentions for third party losses are generally over $30,000 up to $100,000. Catastrophe coverage (all lines except third party liability) is for 95% of $6,600,000 over $400,000.

American Southern acts as a reinsurer with respect to all of the risks associated with certain automobile policies issued by a state administrative agency naming the state and various local governmental entities as insureds. Premiums written from such policies constituted between 38% and 35% of American Southern's gross premiums written in 1995 through 1992. The management of American Southern believes that its relationship with such agency is good; however, the loss of such agency as a customer could have a material adverse effect on the business or financial condition of the company.

Competition

Life Companies. The life insurance business is highly competitive and includes a large number of insurance companies, many of which have substantially greater financial resources and larger experienced staffs than the Companies. The Life Companies believe that the primary competitors are the Blue Cross/Blue Shield companies, AARP, the Prudential Insurance Company of America, Pioneer Life Insurance Company of Illinois, AFLAC, American Travellers, Kanawha Life, American Heritage, Bankers Life and Casualty Company and United American Insurance Corporation, and Standard Life of Oklahoma. The Life Companies compete with other insurers on the basis of premium rates, policy benefits and service to policyholders. The Life Companies also compete with other insurers to attract and retain the allegiance of its independent agents through commission arrangements, accessibility and marketing assistance, lead programs and market expertise. The Life Companies believe they compete effectively on the basis of policy benefits and services and market expertise. The final implementation of the AS 400 computer networking system should greatly improve the Company's ability to service its customers and thereby improve its ability to compete.

Georgia Casualty. The property and casualty insurance business is highly competitive in all lines. Georgia Casualty's competition can be placed in four categories: 1) companies with better A.M. Best ratings; 2) alternative Workers' Compensation markets; 3) self-insured funds; and 4) insurance companies that actively solicit Workers' Compensation accounts. Georgia Casualty's efforts are being directed in three general categories where Georgia Casualty has a reasonable chance of controlling exposures and accidents: 1) manufacturing; 2) artisan contractors; and 3) service industries. Georgia Casualty's key to being competitive in these areas is writing Workers' Compensation coverages as part of the total insurance package, a loyal network of agents and development of new agents in key territories, and providing loss control and claims management services to insureds. Georgia Casualty believes that it will continue to be competitive in the marketplace based on its current strategies and services.

American Southern. All of the businesses in which American Southern engages are highly competitive. The principal areas of competition are pricing and service. Many competing property and casualty companies which have been in business longer than American Southern have available more diversified lines of insurance and have substantially greater financial resources. The management of American Southern believes, however, that the policies which it sells are competitive with those providing similar benefits offered by other insurers doing business in the states where American Southern operates. American Southern is a niche property and casualty insurance company which specializes in state and municipal automobile insurance.

Rating

Each year A.M. Best Company, Inc., publishes Best's Insurance Reports ("Best's") which includes assessments and ratings of all insurance companies. Best's ratings, which may be revised quarterly, fall into fifteen categories ranging from A++ (Superior) to F (in liquidation). Best's ratings are based on an analysis of the financial condition and operations of an insurance company as they relate to the industry in general. These ratings are not designed for investors and do not constitute recommendations to buy, sell or hold any security. Ratings are important in the insurance industry and improved ratings should have a favorable impact on the ability of the companies to compete in the marketplace.

Life Companies. Both of the Life Companies were given upgrades by A.M. Best in both 1993 and 1994, after giving consideration to extraordinary improvements in financial strength and other items. Bankers Fidelity Life and Atlantic American Life obtained ratings of "B-" (Good) in 1994, which they continue to maintain. Management believes the Life Companies will be able to obtain a higher rating from A.M. Best when final review is completed in 1996. However, there can be no assurance that this will happen.

Georgia Casualty. In early 1996, Georgia Casualty was assigned a Best's Rating of B- (good). There were significant improvements in Georgia Casualty's statutory earnings and a major improvement in its surplus position in 1995. These conditions, combined with a decrease in the combined ratio of the company, should put Georgia Casualty in a position to obtain an improvement in its rating in 1996. Management believes Georgia Casualty will be able to obtain a higher rating from A.M. Best when final review is completed in 1996. However, there can be no assurance that this will happen.

American Southern. American Southern and its wholly-owned subsidiary, American Safety Insurance Company, are each currently rated "A-" by A.M. Best. These ratings were assigned in early 1996 and were based on statutory results through 1995. American Southern and its wholly-owned subsidiary previously had ratings of "A+ (Superior)" but were down-graded due to the Company's acquisition of American Southern.

Regulation

In common with all domestic insurance companies, the Company's insurance subsidiaries are subject to regulation and supervision in the jurisdictions in which they do business under statutes which typically delegate regulatory, supervisory and administrative powers to state insurance commissions. The method of such regulation varies, but regulation relates generally to the licensing of insurers and their agents, the nature of and limitations on investments, approval of policy forms, reserve requirements, the standards of solvency which must be met and maintained, deposits of securities for the benefit of policyholders, and periodic examinations of insurers and trade practices, among other things. The Company's accident and health coverages generally are subject to rate regulation by state insurance commissions which require that certain minimum loss ratios be maintained. Certain states also have insurance holding company laws which require registration and periodic reporting by insurance companies controlled by other corporations licensed to transact business within their respective jurisdictions. The Company's insurance subsidiaries are subject to such legislation and are registered as controlled insurers in those jurisdictions in which such registration is required. Such laws vary from state to state but typically require periodic disclosure concerning the corporation which controls the registered insurers and all subsidiaries of such corporations, as well as prior notice to, or approval by, the state insurance commission of intercorporate transfers of assets (including payments of dividends in excess of specified amounts by the insurance subsidiaries) within the holding company system.

Most states require that rate schedules and other information be filed with the state's insurance regulatory authority, either directly or through a rating organization with which the insurer is affiliated. The regulatory authority may disapprove a rate filing if it determines that the rates are inadequate, excessive or unfairly discriminatory. The Company has historically experienced no significant regulatory resistance to its applications for rate increases.

A state may require that acceptable securities be deposited for the protection either of policyholders located in those states or of all policyholders. As of December 31, 1995, $13.6 million of securities were on deposit either directly with various state authorities or with third parties pursuant to various custodial agreements, on behalf of the Life Companies and Casualty Companies.

Virtually all of the states in which the Company's insurance subsidiaries are licensed to transact business require participation in their respective guaranty funds designed to cover claims against insolvent insurers. Insurers authorized to transact business in these jurisdictions are generally subject to assessments of up to 4% of annual direct premiums written in that jurisdiction to pay such claims, if any. The occurrence and amount of such assessments have increased in recent years. The likelihood and amount of any future assessments cannot be estimated until after an insolvency has occurred. For the last five years, the amount incurred by the Company has not been material.

Investments

Investment income represents a significant portion of the Company's total income. Insurance company investments are subject to state insurance laws and regulations which limit the concentration and types of investments. The following table (which includes information on American Southern only for 1995) provides information on the Company's investments as of the dates indicated.

	December 31,					
	1995		1994		1993	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)					
Fixed maturities:						
Bonds:						
U.S. Government, agencies and authorities..........	$ 71,549	39.6%	$ 29,017	29.3%	$ 17,859	16.9%
States, municipalities and political subdivisions.........	21,947	12.2	3,465	3.5	2,985	2.8
Public utilities......	4,110	2.3	3,780	3.8	4,192	4.0
Convertibles and bonds with warrants attached............	1,188	.7	1,088	1.1	1,343	1.3
All other corp. bonds.	12,829	7.1	12,680	12.8	15,219	14.4
Certificates of Deposits...........	1,690	.9	1,445	1.6	1,445	1.4
Total fixed maturities(1)...	113,313	62.8	51,475	52.1	43,043	40.8
Common and preferred stocks (2)............	42,116	23.3	29,571	29.9	34,391	32.4
Mortgage, policy and student loans (5).....	12,642	7.0	14,277	14.4	14,455	13.6
Investments in limited partnerships (4).......	-	-	1,047	1.1	-	-
Real estate............	46	NIL	46	NIL	46	NIL
Short-term investments (3)....................	12,498	6.9	2,498	2.5	14,000	13.2
Total investments..	$180,615	100.0%	$98,914	100.0%	$105,935	100.0%

(1) Fixed maturities are carried on the balance sheet at market value. Total cost of fixed maturities was $112.9 million as of December 31, 1995, $52.9 million as of December 31, 1994 and $41.8 million at December 31, 1993.

(2) Equity securities are valued at market. Total cost of equity securities was $26.9 million as of December 31, 1995, $22.4 million at December 31, 1994 and $24.9 million at December 31, 1993.

(3) Short-term investments are valued at cost, which approximates market value.

(4) Investments in limited partnerships are valued at cost.

(5) Mortgage loans and policy and student loans are valued at cost.

Results of the investment portfolio for periods shown were as follows:

	Year Ended December 31, 1995	1994	1993
	(Dollars in thousands)		
Average investments(1)............	$106,645	$106,549	$110,745
Net investment income.............	6,142	6,163	5,703
Average yield on investments.......	5.7%	5.8%	5.1%
Realized investment gains, net.....	$ 1,731	$ 870	$ 744

(1) Calculated as the average of the balances at the beginning of the year and at the end of each of the four segment quarters. The calculation for 1995 does not include American Southern's investment portfolio.

Management's strategy on investments is an increased investment in short and medium maturity bonds and common and convertible preferred stocks.

Employees

The Company and its subsidiaries (including American Southern) at December 31, 1995 employed 176 people.

Services Provided to Subsidiaries

The Parent provides investment, data processing, personnel, administrative, insurance and accounting services to all of its insurance subsidiaries, except American Southern. In addition, all furniture, fixtures and most equipment is owned by the Parent Company and leased to the insurance subsidiaries, except American Southern. Investment services include continuous yield analysis of the subsidiaries' investment portfolios. Data processing services include utilization of hardware and software and support systems to process and adjudicate claims and maintain historical data for all policies written by any of the insurance subsidiaries. Personnel services consist of hiring, training and administering benefit programs for approximately 140 employees. Insurance services entail billing for group plan and general insurance. Administrative and accounting services entail supplying adequate facilities, accounting, tax, auditing and cost control records, systems and procedures appropriate to the insurance subsidiaries' operations.

The Parent has management fee arrangements with all of its insurance subsidiaries, except American Southern regarding investment services and the salaries of certain management personnel. The total of such management fees and service charges billed to the insurance subsidiaries amounted to $5.6 million in 1995, $5.4 million in 1994 and $4.9 million in 1993. While management believes the fees and charges are fair and reasonable, there can be no assurance that regulatory authorities will not object to the amount of the fees and charges.

Financial Information By Industry Segments

Financial information concerning the Company and its consolidated subsidiaries by industry segment for the three years ended December 31, 1995, is set forth on page 36 of the 1995 Annual Report to Shareholders and such information by industry segment is incorporated herein by reference.

Executive Officers of the Registrant

The table below and the information following the table sets forth for each executive officer of the Company as of December 31, 1995 (based upon information supplied by each of them) his name, age, positions with the Company, principal occupation and business experience for the past five years and prior service with the Company.

Name	Age	Position with the Company	Director or Officer Since
J. Mack Robinson	72	Chairman of the Board	1974
Hilton H. Howell, Jr.	34	Director, President & CEO	1992
John W. Hancock	58	Senior Vice President and Treasurer	1989
Eugene Choate	59	President of Atlantic American Life and Bankers Fidelity Life	1987
Ronald D. Phillips	51	President and CEO of Leath	1991

Officers are elected annually and serve at the discretion of the Board of Directors.

Mr. Robinson served as President of the Company from September 1988 until May 1995 and has served as a director and Chairman of the Board since 1974. He has been Chairman of the Board of Atlantic American Life since 1988, Chairman of the Board of Bankers Fidelity Life since 1986, Chairman of the Board and President of Georgia Casualty since 1988 and Chairman of the Board of Leath since April 1991. In addition, Mr. Robinson is Chairman of the Board of Bull Run Corporation, a Director of Gray Communications Systems, Inc., the General Partner of Gulf Capital Services, Ltd., and the Chairman and President of Delta Life Insurance Company and Delta Fire & Casualty Insurance Company.

Mr. Howell has been a Director of the Company since October 1992 and President and CEO since May 1995. He served as Executive Vice President of the Company from October 1992 until May 1995. In addition, Mr. Howell has been Executive Vice President and General Counsel of Delta Life Insurance Company since November 1991 and Vice President and Secretary of Bull Run Corporation since November 1994. Prior thereto, he was an attorney with Liddell, Sapp, Zivley, Hill and LaBoon from October 1989 to October 1991. Mr. Howell is the son-in-law of Mr. Robinson. He is also a Director of Bankers Fidelity Life, Bull Run Corporation and Gray Communications, Inc.

Mr. Hancock has served as Senior Vice President and Treasurer of the Company and each of the Life Companies since November 1993, prior thereto served as Vice President and Treasurer of the Company and each of the Life Companies since April 1989, and prior thereto served as Controller of the Life Companies since March 1988. Prior to joining the Company in 1988, he was Vice President of Finance with National Consultants, Inc.

Mr. Choate has been President of Atlantic American Life since September 1987 and President of Bankers Fidelity Life since May 1988. Prior thereto, he was Atlantic Coast Regional Manager for Reserve Life Insurance Company from March 1981 to September 1987.

Mr. Phillips has been President of Leath since 1988. Prior to joining Leath, Mr. Phillips served as Executive Vice President of Rhodes, Inc.

ITEM 2. PROPERTIES

Insurance

Owned Properties. The Company owns two parcels of unimproved property, consisting of approximately 7 acres located in Fulton and Washington Counties, Georgia. At December 31, 1995, the aggregate book value of such properties was approximately $46,000.

Leased Properties. The Company (with the exception of American Southern) leases space for its principal offices in an office building located at 4370 Peachtree Road, N.E., Atlanta, Georgia, from Delta Life Insurance Company and its affiliates, under leases which expire at various times from May 31, 2002 to July 31, 2005. Under the terms of the leases, the Company occupies approximately 65,500 square feet of office space at an annual base rental plus a pro rata share of all real estate taxes, general maintenance, and service expenses and insurance costs with respect to the office building. Pursuant to such leases, the Company's aggregate annual rental in 1995 (including its pro rata expenses) amounted to approximately $14.65 per square foot or $960,000. Delta Life Insurance Company, the owner of the building, is controlled by J. Mack Robinson, Chairman of the Board of Directors and principal shareholder of the Company. The terms of the leases are believed by management of the Company to be comparable to terms which could be obtained by the Company from unrelated parties for comparable rental property.

American Southern leases space for its offices at a building located at 3715 Northside Parkway, Building 400, 8th Floor, Atlanta, Georgia. The lease term expires January 31, 2000. Under the terms of the lease, American Southern occupies approximately 16,985 square feet.

ITEM 3. LEGAL PROCEEDINGS

Litigation

The Company and its subsidiaries are involved in various claims and lawsuits incidental to and in the ordinary course of their businesses. In the opinion of management, such claims will not have a material effect on the business or financial condition of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the Company's shareholders during the quarter ended December 31, 1995.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company's Common Stock is traded in the over-the-counter market and quoted on the NASDAQ National Market (Symbol: AAME). As of March 8, 1996, there were 4,879 shareholders of record. The following table sets forth for the periods indicated the high and low sale prices of the Company's Common Stock as reported on the NASDAQ National Market.

Year Ending December 31,	High	Low
1995		
1st quarter	$2 3/4	$2
2nd quarter	2 1/2	2
3rd quarter	2 7/8	1 7/8
4th quarter	3	2 1/8
1994		
1st quarter	2 5/8	1 3/4
2nd quarter	2 7/16	1 7/8
3rd quarter	2 1/4	1 7/8
4th quarter	2 1/4	1 3/4

The Company has not paid dividends since the fourth quarter of 1988. Payment of dividends in the future will be at the discretion of the Company's Board of Directors and will depend upon the financial condition, capital requirements and earnings of the Company, as well as other factors as the Board of Directors may deem relevant. The Company's primary sources of cash for the payment of dividends are dividends from its subsidiaries which are engaged in the insurance business. Under the Insurance Code of the State of Georgia, dividend payments to the Parent Company by its insurance subsidiaries are limited to the accumulated statutory earnings of the insurance subsidiaries without the prior approval of the Insurance Commissioner. The Company's insurance subsidiaries had the following accumulated statutory earnings and/or (deficits) as of December 1995: Georgia Casualty - $6.3 million, American Southern - $17.0 million, Atlantic American Life - ($1.3 million), Bankers Fidelity Life - $6.1 million. The Company does not anticipate paying cash dividends on the Common Stock for the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data of Atlantic American Corporation and subsidiaries for the five years ended December 31, 1995, is set forth on page 9 of the 1995 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations of Atlantic American Corporation and subsidiaries are set forth on pages 10 to 14 of the 1995 Annual Report to Shareholders and such discussion and analysis are incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the Company and related notes are set forth on pages 15 to 37 of the 1995 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

With the exception of information relating to the Executive Officers of the Company, which is provided in Part I hereof, all information required by Part III (Items 10, 11, 12, and 13) is incorporated by reference to the Company's definitive proxy statement to be delivered in connection with the Company's annual meeting of shareholders to be held May 7, 1996.

PART IV

ITEM 14. - EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) List of documents filed as part of this report:

FINANCIAL STATEMENTS

* The page references so designated refer to page numbers in the 1995 Annual Report to Shareholders of Atlantic American Corporation which pages are incorporated herein by reference. With the exception of the information specifically incorporated within this Form 10-K, the 1995 Annual Report to Shareholders of Atlantic American Corporation is not deemed to be filed under the Securities Exchange Act of 1934.

FINANCIAL STATEMENT SCHEDULES

Report of Independent Public Accountants

II - Condensed financial information of registrant for the three years ended December 31, 1995

III - Supplementary Insurance Information for the three years ended December 31, 1995

IV - Reinsurance for the three years ended December 31, 1995

VI - Supplemental Information concerning property-casualty insurance operations for the three years ended December 31, 1995

Schedules other than those listed above are omitted as they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto. Columns omitted from schedules filed have been omitted because the information is not applicable.

EXHIBITS

3.1 - Articles of Incorporation of the registrant [incorporated by reference to Exhibit 3.1 to the registrant's Form 10-K for the year ended December 31, 1987].

3.1.1 - Amendment to Articles of Incorporation of registrant [incorporated by reference to Exhibit 3.1.1 to the registrant's Form 10-K for the year ended December 31, 1988].

3.1.2 - Amendment to Articles of Incorporation of registrant [incorporated by reference to Exhibit 3.1.2 to the registrant's Form 10-K for the year ended December 31, 1991].

3.1.3 - Amendment to Articles of Incorporation of registrant [incorporated by reference to Exhibit 3.1.3 to the registrant's Form 10-Q for the second quarter ended June 30, 1995].

3.2 - Bylaws of the registrant [incorporated by reference to Exhibit 3.2 to the registrant's Form 10-K for the year ended December 31, 1993].

4.1 - Indenture between registrant and Wachovia Bank and Trust Company, N.A., Trustee, dated as of April 1, 1987 relating to the registrant's 8% Convertible Subordinated Notes due May 15, 1997 [incorporated by reference to Exhibit 4.1 to the registrant's Form 10-K for the year ended December 31, 1987].

4.2 - Relative Rights and Preferences of the Series A Convertible Preferred Stock of the registrant [incorporated by reference to Exhibit 4.2 to the registrant's Form 10-K for the year ended December 31, 1987].

10.11 - Lease Contract between registrant and Delta Life Insurance Company dated June 1, 1992 [incorporated by reference to Exhibit 10.11 to the registrant's Form 10-K for the year ended December 31, 1992].

10.11.1 - First Amendment to Lease Contract between registrant and Delta Life Insurance Company dated June 1, 1993 [incorporated by reference to Exhibit 10.11.1 to the registrant's Form 10-Q for the quarter ended June 30, 1993].

10.11.2 - Second Amendment to Lease Contract between registrant and Delta Life Insurance Company dated August 1, 1994 [incorporated by reference to Exhibit 10.11.2 to the registrant's Form 10-Q for the quarter ended September 30, 1994].

10.12 - Lease Agreement between Georgia Casualty & Surety Company and Delta Life Insurance Company dated September 1, 1991 [incorporated by reference to Exhibit 10.12 to the registrant's Form 10-K for the year ended December 31, 1992].

10.12.1 - First Amendment to Lease Agreement between Georgia Casualty & Surety Company and Delta Life Insurance Company dated June 1,1992 [incorporated by reference to Exhibit 10.12.1 to the registrant's Form 10-K for the year ended December 31, 1992].

10.16 - Management Agreement between registrant and Georgia Casualty & Surety Company dated April 1, 1983 [incorporated by reference to Exhibit 10.16 to the registrant's Form 10-K for the year ended December 31, 1986].

10.17 - Management Services Agreement, dated April 9, 1991, between the registrant and Leath Furniture, Inc. [incorporated by reference to Exhibit 10.17 to the registrant's Form 10-K for the year ended December 31, 1991].

10.17.1 - First Amendment to the Management Services Agreement, dated August 31, 1992, between the registrant and Leath Furniture, Inc. [incorporated by reference to Exhibit 10.17.1. to the registrant's Form 10-K for the year ended December 31, 1992].

10.19* - 1987 Stock Option and Stock Appreciation Right Plan dated November 3, 1987 [incorporated by reference to Exhibit 10.19 to the registrant's Form 10-K for the year ended December 31, 1987].

10.21* - Minutes of Meeting of Board of Directors of registrant held February 25, 1992 adopting registrant's 1992 Incentive Plan together with a copy of that plan, as adopted [incorporated by reference to Exhibit 10.21 to the registrant's Form 10-K for the year ended December 31, 1991].

10.22 - Investment Agreement, dated April 9, 1991, among the registrant, Leath Furniture, Inc. and the Purchasers (as defined therein) [incorporated by reference to Exhibit 10.22 to the registrant's Form 10-K for the year ended December 31, 1991].

10.23 - Convertible Subordinated Promissory Note, dated April 9, 1991, issued in the principal amount of $2,000,000 by Leath Furniture, Inc. in favor of the registrant [incorporated by reference to Exhibit 10.23 to the registrant's Form 10-K for the year ended December 31, 1991].

10.24 - Stockholders Agreement, dated April 9, 1991, among the stockholders of Leath Furniture, Inc. [incorporated by reference to Exhibit 10.24 to the registrant's Form 10-K for the year ended December 31, 1991].

10.25* - Consulting Agreement, dated April 9, 1991, between Samuel E. Hudgins and Leath Furniture, Inc. [incorporated by reference to Exhibit 10.25 to the registrant's Form 10-K for the year ended December 31, 1991].

10.26 - Purchase and Assignment Agreement, dated May 23, 1991, among Leath Furniture, Inc., Modernage Furniture, Inc., Wickes Companies, Inc. and Delta Life Insurance Company [incorporated by reference to Exhibit 10.26 to the registrant's Form 10-K for the year ended December 31, 1991].

10.27 - Term Note, dated January 29, 1988, of Leath Furniture, Inc. in favor of Wickes Companies, Inc. in the principal amount of $3,750,000 and First Amendment to Term Note, dated May 23, 1991 [incorporated by reference to Exhibit 10.27 to the registrant's Form 10-K for the year ended December 31, 1991].

10.29* - Executive Employment and Non-Competition Agreement, dated April 8, 1991, between Leath Furniture, Inc. and Ronald D. Phillips [incorporated by reference to Exhibit 10.29 to the registrant's Form 10-K for the year ended December 31, 1992].

10.30* - Employment Agreement, dated September 8, 1988, between the registrant and John W. Hancock [incorporated by reference to exhibit 10.30 to the registrant's Form 10-K for the year ended December 31, 1992].

10.31* - Employment Agreement dated September 2, 1988, between the registrant and Eugene Choate [incorporated by reference to Exhibit 10.31 to the registrant's Form 10-K for the year ended December 31, 1992].

10.32 - Loan and Security Agreement dated January 29, 1993, by and between Gulf Capital Services Ltd., Leath Furniture, Inc. and Modernage Furniture, Inc. [incorporated by reference to Exhibit 10.32 to the registrant's Form 10-K for the year ended December 31, 1992].

10.32.1 - First Amendment to Loan and Security Agreement dated December 19, 1994 by and between Gulf Capital Services, Ltd., Leath Furniture, Inc., and Modernage Furniture, Inc. [incorporated by reference to Exhibit 10.32.1 to the registrant's Form 10-K for the year ended December 31, 1994].

10.33 - 8% Promissory notes between registrant and registrant's chairman and his affiliates [incorporated by reference to Exhibit 10.33 to the registrant's Form 10-K for the year ended December 31, 1992].

10.33.1 - Amendment to 8% Promissory Notes, dated March 24, 1993, between registrant and registrant's chairman and his affiliates [incorporated by reference to Exhibit 10.33.1 to the registrant's Form 10-K for the year ended December 31, 1992].

10.34 - 9 1/2% Promissory Notes between registrant and registrant's chairman and his affiliates [incorporated by reference to Exhibit 10.34 to the registrant's Form 10-K for the year ended December 31, 1992].

10.34.1 - Amendment to 9 1/2% Promissory Notes, dated March 24, 1993, between registrant and registrant's chairman and his affiliates [incorporated by reference to Exhibit 10.34.1 to the registrant's Form 10-K for the year ended December 31, 1992].

10.35 - 10% Subordinated notes between registrant and registrant's affiliates [incorporated by reference to Exhibit 10.35 to the registrant's Form 10-K for the year ended December 31, 1992].

10.35.1 - Amendment to 10% Subordinated Notes, dated March 24, 1993, between registrant and registrant's affiliates [incorporated by reference to Exhibit 10.35.1 to the registrant's Form 10-K for the year ended December 31, 1992].

10.36 - 9% Promissory notes between Leath Furniture, Inc. and registrant's chairman and his affiliates [incorporated by reference to Exhibit 10.36 to the registrant's Form 10-K for the year ended December 31, 1992].

10.37 - 10% Promissory notes between Leath Furniture, Inc. and registrant's chairman and his affiliates [incorporated by reference to Exhibit 10.37 to the registrant's Form 10-K for the year ended December 31, 1992].

10.38 - Loan and Security Agreement dated August 26, 1991, between registrant's three insurance subsidiaries and Leath Furniture, Inc. [incorporated by reference to Exhibit 10.38 to the registrant's Form 10-K for the year ended December 31, 1992].

10.38.1 - First amendment to the amended and reissued mortgage note dated January 1, 1992 [incorporated by reference to Exhibit 10.38.1 to the registrant's Form 10-K for the year ended December 31, 1992].

10.39 - Intercreditor Agreement dated August 26, 1991 between Leath Furniture, Inc., the registrant and the registrant's three insurance subsidiaries [incorporated by reference to Exhibit 10.39 to the registrant's Form 10-K for the year ended December 31, 1992].

10.41 - Management Agreement between registrant and Atlantic American Life Insurance Company and Bankers Fidelity Life Insurance Company dated July 1, 1993 [incorporated by reference to Exhibit 10.41 to the registrant's Form 10-Q for the quarter ended September 30, 1993].

10.42 - 8% Promissory Notes dated September 29, 1993, between registrant and registrant's affiliates [incorporated by reference to Exhibit 10.42 in the registrant's Form 10-Q for the quarter ended September 30, 1993].

10.43 - 8% Promissory Notes dated November 3, 1993, between registrant and registrant's affiliates [incorporated by reference to Exhibit 10.43 to the registrant's Form 10-K for the year ended December 31, 1993].

10.44 - Tax allocation agreement dated January 28, 1994 between registrant and registrant's subsidiaries [incorporated by reference to Exhibit 10.44 to the registrant's Form 10-K for the year ended December 31, 1993].

10.45 - Amendment to the Promissory Notes dated March 23, 1994 [incorporated by reference to Exhibit 10.45 to the registrant's Form 10-K for the year ended December 31, 1993].

10.45.1 - Second Amendment to the Promissory Notes dated March 27, 1995 [incorporated by reference to Exhibit 10.45.1 to the registrant's Form 10-K for the year ended December 31, 1994].

10.46 - 9% Promissory Note dated December 16, 1994, between registrant and registrant's affiliate [incorporated by reference to Exhibit 10.46 to the registrant's Form 10-K for the year ended December 31, 1994].

10.47 - 9% Promissory Note dated December 29, 1994, between registrant and registrant's affiliate [incorporated by reference to Exhibit 10.47 to the registrant's Form 10-K for the year ended December 31, 1994].

10.48 - 9% Promissory Note dated December 30, 1994, between registrant and registrant's affiliate [incorporated by reference to Exhibit 10.48 to the registrant's Form 10-K for the year ended December 31, 1994].

10.49 - Prime plus 1% Promissory Note dated June 28, 1994, between Leath Furniture, Inc. and registrant's chairman [incorporated by reference to Exhibit 10.49 to the registrant's Form 10-K for the year ended December 31, 1994].

10.50 - Prime plus 1-1/2% Promissory Note dated January 23, 1995, between Leath Furniture, Inc. and registrant's chairman [incorporated by reference to Exhibit 10.50 to the registrant's Form 10-K for the year ended December 31, 1994].

10.51 - 9% Promissory Note dated February 3, 1995, between Leath Furniture, Inc. and registrant's chairman [incorporated by reference to Exhibit 10.51 to the registrant's Form 10-K for the year ended December 31, 1994].

10.52 - Prime plus 1% Promissory Note dated December 19, 1994, between registrant and registrant's affiliate [incorporated by reference to Exhibit 10.52 to the registrant's Form 10-K for the year ended December 31, 1994].

10.53 - Certificate of designations of Series A Convertible Preferred Stock of Leath Furniture, Inc. dated December 16, 1994 [incorporated by reference to Exhibit 10.53 to the registrant's Form 10-K for the year ended December 31, 1994].

10.54 - Stock Purchase Agreements by and between registrant and Fuqua Enterprises, Inc. dated as of October 16, 1995 [incorporated by reference to Exhibit 2.1 to the registrant's Form 8-K, filed January 12, 1996].

10.55 - Credit Agreement, dated as of December 29, 1995, between registrant and Wachovia Bank of Georgia, N.A. [incorporated by reference to Exhibit 99.1 to the registrant's Form 8-K, filed January 12, 1996].

13.1 - Those portions of the registrant's Annual Report to Shareholders for year ended December 31, 1995, that are specifically incorporated by reference herein.

21.1 - Subsidiaries of the registrant.

23.1 - Consent of Independent Public Accountants.

28.1 - Form of General Agent's Contract of Atlantic American Life Insurance Company [incorporated by reference to Exhibit 28 to the registrant's Form 10-K for the year ended December 31, 1990].

28.2 - Form of Agent's Contract of Bankers Fidelity Life Insurance Company [incorporated by reference to Exhibit 28 to the registrant's Form 10-K for the year ended December 31, 1990].

28.3 - Form of Agency Contract of Georgia Casualty & Surety Company [incorporated by reference to Exhibit 28 to the registrant's Form 10-K for the year ended December 31, 1990].

P29.1 - Schedule P from American Safety Insurance Company, American Southern Insurance Company, and Georgia Casualty & Surety Company annual statements for year ended December 31, 1995.

(b) Reports on Form 8-K. None.

*Management contract, compensatory plan or arrangement required to be filed pursuant to, Part IV, Item 14(C) of Form 10-K and Item 601 of Regulation S-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

(Registrant) ATLANTIC AMERICAN CORPORATION

By: /s/

John W. Hancock
Senior Vice President and Treasurer

Date: March 29, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ J. MACK ROBINSON	Chairman of the Board	March 29, 1996
/s/ HILTON H. HOWELL, JR.	President, Chief Executive Officer and Director (Principal Executive Officer)	March 29, 1996
/s/ JOHN W. HANCOCK	Senior Vice President and Treasurer (Principal Financial Officer)	March 29, 1996
/s/ JOHN C. HALL, JR.	Controller (Principal Accounting Officer)	March 29, 1996
/s/ SAMUEL E. HUDGINS	Director	March 29, 1996
/s/ D. RAYMOND RIDDLE	Director	March 29, 1996
/s/ HARRIETT J. ROBINSON	Director	March 29, 1996
/s/ ROBERT H. THARPE	Director	March 29, 1996
/s/ SCOTT G. THOMPSON	Director	March 29, 1996
/s/ CHARLES B. WEST	Director	March 29, 1996
/s/ WILLIAM H. WHALEY, M.D.	Director	March 29, 1996
/s/ DOM H. WYANT	Director	March 29, 1996

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of
Atlantic American Corporation:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements of Atlantic American Corporation, incorporated by reference in this Form 10-K, and have issued our report thereon dated March 15, 1996. Our audits of the financial statements were made for the purpose of forming an opinion on those statements taken as a whole. The financial statement schedules listed in Item 14 (a) are the responsibility of the Company's management, are presented for the purpose of complying with the Securities and Exchange Commission's rules, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
March 15, 1996

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

ATLANTIC AMERICAN CORPORATION
(Parent Company Only)

BALANCE SHEETS
(in thousands)

ASSETS

	December 31, 1995	December 31, 1994
Current assets:		
Cash and short-term investments	$ 24	$ 78
Investment in affiliates:		
Investment in insurance subsidiaries	90,551	44,840
Investment in furniture subsidiary	(1,965)	8,025
Total investment in affiliated companies	88,586	52,865
Income taxes receivable from subsidiaries	1,435	2,987
Other assets	2,541	1,027
	$92,586	$56,957

LIABILITIES AND SHAREHOLDERS' EQUITY

	1995	1994
Current liabilities:		
Notes payable to affiliates	$ -	$ 675
Current portion of long-term debt	13,352	-
Interest payable	527	1,163
Other payables	660	770
Total current liabilities	14,539	2,608
Long-term debt	25,211	4,594
Long-term debt payable to affiliates	6,358	19,733
Shareholders' equity	46,478	30,022
	$92,586	$56,957

The notes to consolidated financial statements are an integral part of the condensed balance sheets.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

ATLANTIC AMERICAN CORPORATION
(Parent Company Only)

STATEMENTS OF OPERATIONS
(in thousands)

	Year Ended December 31, 1995	1994	1993
REVENUE			
Fees, rentals and interest income from subsidiaries	$ 5,968	$ 5,952	$ 6,299
Distributed earnings from subsidiaries	2,864	-	972
Realized investment losses	-	-	(51)
Other	12	2	2
Total revenue	8,844	5,954	7,222
GENERAL AND ADMINISTRATIVE EXPENSES	5,762	5,522	4,864
INTEREST EXPENSE	2,251	1,968	2,349
	831	(1,536)	9
INCOME TAX BENEFIT	34	1,632	989
	865	96	998
EQUITY IN UNDISTRIBUTED EARNINGS OF CONSOLIDATED SUBSIDIARIES, NET	2,253	8,053	458
Income from continuing operations	3,118	8,149	1,456
(Loss) income from discontinued operations, net	(10,094)	1,121	1,543
(Loss) income before extraordinary gain and cumulative effect of change in accounting principle for income taxes	(6,976)	9,270	2,999
Extraordinary gain	-	100	897
(Loss) income before cumulative effect of change in accounting principle for income taxes	(6,976)	9,370	3,896
Cumulative effect of change in accounting principle for income taxes	-	-	(519)
Net (loss) income	$(6,976)	$ 9,370	$ 3,377

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

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

ATLANTIC AMERICAN CORPORATION
(Parent Company Only)
STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31, 1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (6,976)	$ 9,370	$ 3,377
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Realized investment losses	-	-	51
Depreciation and amortization	379	292	362
Equity in undistributed earnings of consolidated subsidiaries	(2,253)	(88,053)	(458)
Loss (income) from discontinued operations	10,094	(1,121)	(1,543)
Benefit from deferred taxes	-	(1,000)	-
Cumulative effect of change in accounting principle for income taxes	-	-	519
Extraordinary gain from extinguishment on debt	-	(100)	(897)
(Decrease) increase in other liabilities	(746)	812	245
Minority interest	(554)	205	342
Other, net	1,790	268	(1,387)
Net cash (used in) provided by operating activities	(1,734)	137	611
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in subsidiaries, net	(38)	(2,306)	2,027
Acquisition of American Southern Insurance Company	(22,770)	-	
Additions to property and equipment	(1,058)	(646)	(85)
Net cash (used in) provided by investing activities	(23,866)	(2,952)	1,942
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of notes payable to affiliates	-	3,175	1,500
Proceeds from issuance of bank financing	22,642	-	-
Preferred stock dividends to affiliated shareholders	(315)	(315)	(315)
Purchase of treasury shares	(174)	-	-
Retirements of long-term debt and notes payable to affiliates	(675)	-	(3,905)
Proceeds from exercise of stock options	600	19	-
Net cash provided by (used in) financing activities	22,078	2,879	(2,720)
Net (decrease) increase in cash	(54)	64	(167)
Cash at beginning of year	78	14	181
Cash at end of year	$ 24	$ 78	$ 14
Supplemental disclosure:			
Cash paid for interest	$ 2,894	$ 900	$2,224
Cash paid for income taxes	$ 128	$ 115	$ -
Long-term debt, payable to affiliates, converted to preferred stock	$13,400	$ -	$ -
Debt to seller for purchase of American Southern Insurance Company	$11,352	$ -	$ -

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

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY INSURANCE INFORMATION
(in thousands)

Segment	Deferred Acquisition Costs	Future Policy Benefits, Losses, Claims and Loss Reserves	Unearned Premiums	Other Policy Claims and Benefits Payable
December 31, 1995(1):				
A & H.....	$ 3,831	$ 8,907	$ 2,222	$ -
Life......	8,411	32,219	-	1,905
Casualty..	2,657	74,693	21,918	1,983
	$14,899	$115,819 (2)	$24,140	$ 3,888
December 31, 1994:				
A & H.....	$ 4,594	$ 11,364	$ 2,629	$ -
Life......	8,521	31,572	-	1,959
Casualty..	438	35,435	5,111	225
	$13,553	$ 78,371 (3)	$ 7,740	$ 2,184
December 31, 1993:				
A & H.....	$ 6,011	$ 13,447	$ 3,004	$ -
Life......	7,655	30,338	-	1,908
Casualty..	-	48,751	3,662	124
	$13,666	$ 92,536 (4)	$ 6,666	$ 2,032

(1) Supplementary insurance information contained above includes amounts related to American Southern for December 31, 1995.
(2) Includes future policy benefits of $36,305 and losses and claims of $79,514.
(3) Includes future policy benefits of $37,641 and losses and claims of $40,730.
(4) Includes future policy benefits of $37,774 and losses and claims of $54,762.

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY INSURANCE INFORMATION
(in thousands)

Segment	Premium Revenue	Investment Income (Losses)*(1)	Benefits, Claims, Losses and Settlement Expenses	Amortization of Deferred Acquisition Costs	Other Operating Expenses(1)	Casualty Premiums Written
December 31, 1995(2):						
Life......	$ 8,297	$ 3,941	$ 4,861	$ 1,799	$ 3,546	$ -
Casualty..	18,302	2,989	12,356	-	6,582	19,074
A & H.....	16,774	1,442	7,472	1,922	7,796	-
Other.....	-	(75)	-	-	2,252	-
	$ 43,373	$ 8,297	$24,689	$ 3,721	$20,176	$19,074
December 31, 1994(2):						
Life......	$ 8,111	$ 2,964	$ 5,726	$ 1,387	$ 2,762	$ -
Casualty..	14,651	2,940	6,513	-	5,198	16,094
A & H.....	18,939	1,523	9,716	1,621	8,026	-
Other.....	-	71	-	-	1,733	-
	$ 41,701	$ 7,498	$21,955	$ 3,008	$17,719	$16,094
December 31, 1993(2):						
Life......	$ 6,671	$ 2,733	$ 4,688	$ 1,380	$ 2,584	$ -
Casualty..	12,824	3,077	9,581	-	6,588	12,783
A & H.....	21,449	1,540	11,095	1,854	8,766	-
Other.....	-	(558)	-	-	733	-
	$ 40,944	$ 6,792	$25,364	$ 3,234	$18,671	$12,783

* Includes realized investment gains (losses).

(1) Investment income is allocated based on the pro rata percentages of insurance reserves and policyholders' funds attributable to each segment whereas other operating expenses are allocated based on premiums collected.

(2) Supplementary insurance information contained above does not include amounts related to American Southern.

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
REINSURANCE
(in thousands)

	Gross Amount	Ceded To Other Companies	Assumed From Other Companies	Net Amount
Year ended December 31, 1995:				
Life insurance in force...........	$254,349	$ 10,003	$ -	$244,346
Premiums --				
Life insurance....................	$ 8,378	$ 81	$ -	$ 8,297
Accident and health insurance.....	16,774	-	-	16,774
Property and liability insurance..	21,258	2,956	-	18,302
Total premiums.................	$ 46,410	$ 3,037	$ -	$ 43,373
Year ended December 31, 1994:				
Life insurance in force...........	$252,997	$ 11,043	$ -	$241,954
Premiums --				
Life insurance....................	$ 8,188	$ 77	$ -	$ 8,111
Accident and health insurance.....	18,939	-	-	18,939
Property and liability insurance..	17,035	2,384	-	14,651
Total premiums.................	$ 44,162	$ 2,461	$ -	$ 41,701
Year ended December 31, 1993:				
Life insurance in force...........	$202,057	$ 10,841	$ -	$191,216
Premiums --				
Life insurance....................	$ 6,757	$ 86	$ -	$ 6,671
Accident and health insurance.....	21,449	-	-	21,449
Property and liability insurance..	14,818	1,994	-	12,824
Total premiums.................	$ 43,024	$ 2,080	$ -	$ 40,944

Schedule VI

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION CONCERNING

PROPERTY-CASUALTY INSURANCE OPERATIONS
(in thousands)

Year Ended	Deferred Policy Acquisition	Reserves	Unearned Premium	Earned Premium(2)	Net Investment Income(2)	Claims and Claim Adjustment Expenses Incurred Related To: Current Year(2)	Prior Years(2)	Amortization Of Deferred Acquisition Costs(2)	Paid Claims and Claim Adjustment Expenses(2)	Premiums Written (2)
December 31, 1995	$ 2,657(1)	$74,693(1)	$21,918(1)	$18,302	$ 2,989	$ 7,002	$ 5,985	$ -	$12,923	$19,074
December 31, 1994	$ 438(2)	$35,435(2)	$ 5,111(2)	$14,651	$ 2,940	$10,617	$ (2,661)	$ -	$21,272	$16,094
December 31, 1993	$ - (2)	$48,751(2)	$ 3,662(2)	$12,824	$ 3,077	$ 7,796	$ 1,744	$ -	$17,989	$12,783

(1) Includes Georgia Casualty & Surety and American Southern.

(2) Includes Georgia Casualty & Surety only.

Financial Contents

Selected Financial Data

(In Thousands, Except Per Share Data)

	Year Ended December 31, 1995	1994	1993	1992	1991
Insurance premiums............	$ 43,373	$ 41,701	$ 40,944	$42,764	$ 53,726
Investment income.............	6,566	6,628	6,048	6,399	7,599
Realized investment gains (losses), net...............	1,731	870	744	4,091	(7,092)
Total revenue...............	51,670	49,199	47,736	53,254	54,233
Insurance benefits and losses incurred....................	24,689	21,955	25,364	33,616	41,978
Other expenses................	23,897	20,727	21,905	20,430	26,564
Total benefits and expenses.	48,586	42,682	47,269	54,046	68,542
	3,084	6,517	467	(792)	(14,309)
Debt conversion expense.......	-	-	-	(98)	(5,370)
Income tax benefit............	34	1,632	989	-	-
Income (loss) from continuing operations...............	3,118	8,149	1,456	(890)	(19,679)
(Loss) income from discontinued operations, net......	(10,094)	1,121	1,543	96	(1,265)
(Loss) income before extraordinary gain and cumulative effect of change in accounting principle for income taxes.............	(6,976)	9,270	2,999	(794)	(20,944)
Extraordinary gain............	-	100	897	279	688
(Loss) income before cumulative effect of change in accounting principle for income taxes....................	(6,976)	9,370	3,896	(515)	(20,256)
Cumulative effect of change in accounting principle for income taxes.............	-	-	(519)	-	-
Net (loss) income	$ (6,976)	$ 9,370	$ 3,377	$ (515)	$(20,256)
Net (loss) income per common share data:					
Continuing operations.....	$ .15	$ .43	$ .06	$ (.07)	$ (2.04)
Discontinued operations...	(.54)	.06	.09	.01	(.13)
Extraordinary gain........	-	NIL	.05	.01	.07
Cumulative effect of change in accounting principle for income taxes........	-	-	(.03)	-	-
Net (loss) income	$ (.39)	$ .49	$ .17	$ (.05)	$ (2.10)

Weighted average common shares

outstanding................	18,671	18,511	18,476	17,680	9,789
Book value per share..........	$ 1.61	$ 1.47	$ 1.24	$ 1.01	$ .38
Total assets	$244,541	$148,740	$154,822	$159,698	$167,950
Total long-term debt..........	$ 31,569	$ 24,327	$ 21,827	$ 19,327	$ 33,370
Total shareholders' equity....	$ 46,478	$ 30,022	$ 25,806	$ 21,601	$ 6,723

Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Atlantic American Corporation's net loss for 1995 was $7.0 million, or $.39 per share, compared to net income of $9.4 million, or $.49 per share, in 1994 and net income of $3.4 million, or $.17 per share, in 1993. The decrease in earnings in 1995 was attributable to the unprofitable operations of the Company's furniture division and a comparative decrease in the earnings of the Company's insurance division due to the one time recognition of redundant reserves in 1994. The increase in earnings in 1994 was primarily due to the recognition of redundant reserves of $4.9 million following the settlement of a significant portion of the insurance division's workers' compensation insurance liabilities and the settlement of $1.1 million of a business interruption insurance claim stemming from Hurricane Andrew in 1992. In addition, improved corporate results for 1994 included a net tax benefit of $546,000 and an extraordinary gain of $100,000. Earnings in 1993 included an extraordinary gain of $897,000, or $.05 per share, resulting from the extinguishment of debt, and a charge of $519,000, or $.03 per share, representing the cumulative effect of a change in accounting principle. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto.

ACQUISITION

On December 31, 1995 the Company acquired American Southern Insurance Company ("American Southern") for an aggregate of $34.0 million. American Southern, a highly rated property and casualty insurance company which specializes in state and municipality automobile insurance, was acquired to complement the Company's position as a niche insurance holding company. American Southern's balance sheet has been consolidated in the Company's December 31, 1995 balance sheet, whereas, results of operations and cash flows will not be reflected until 1996 (see Note 7).

DISCONTINUED OPERATIONS

Subsequent to year end, the Company announced its intent to sell its furniture operations. The furniture division, which consisted of Leath Furniture, Inc. ("Leath") and its subsidiaries, Modernage Furniture, Inc. and Jefferson Home Furniture Company, Inc., has suffered severe losses in light of a current industry wide downturn. Management anticipates continued losses in the future, and therefore, has made the decision to exit the retail furniture business and concentrate on its core insurance businesses (see Note 8). The Company has announced that it intends to sell its approximately 88% interest in Leath during the first half of 1996 to a related party.

Leath's total operating losses for 1995 totaled $6.7 million compared to earnings of $1.1 million in 1994 and $1.5 million in 1993. The Company recorded an additional charge to earnings of $3.4 million in 1995 for estimated losses to be incurred prior to disposition, bringing the total loss for discontinued operations in 1995 to $10.1 million. Previously separated intersegment revenues attributable to mortgage loans from the insurance companies to Leath have been included in investment income of the continuing operations of the insurance segment.

RESULTS OF CONTINUING OPERATIONS

Revenue

Premiums increased to $43.4 million in 1995 from $41.7 million in 1994 and $40.9 million in 1993. This represents a 4.0% increase in 1995 from 1994 as compared to a 1.8% increase in 1994 from 1993. Medicare supplement and workers' compensation have historically made up the majority of insurance premium revenue. Medicare supplement accounted for 27.4% of the premiums in 1995, 32.0% in 1994 and 36.8% in 1993. Workers' compensation accounted for 34.5% of the premiums in 1995, 28.7% in 1994 and 24.2% in 1993. The increase in premiums in 1995 was due to an increase of $3.7 million of casualty premiums and $186,000 of life premiums offset by a decrease of $2.2 million of accident and health premiums. The increase in premiums in 1994 was due to an increase of $1.8 million in casualty premiums and $1.4 million of life premiums offset by a decrease in accident and heath premiums of $2.5 million.

The decline in accident and health premiums for the past three years has resulted primarily from a decrease in Medicare supplement insurance premiums. Overall, the Life and Health Division has experienced a decline in accident and health premiums as a result of management's decision to diversify the premium base. The increases in life premiums in 1995 and 1994 reflect the continuing movement to a more diversified product mix with more emphasis on life insurance.

The Casualty Division (excluding American Southern) increased premiums in 1995 to $18.3 million from $14.6 million in 1994 and $12.8 million in 1993. This division has continued to emphasize its marketing efforts in its core states of Georgia and Mississippi.

Investment income remained constant at $6.6 million in 1995 and 1994, increasing from $6.0 million in 1993. Investment income remained constant in 1995 primarily due to the leveling off of interest rates. Investment income increased in 1994 due to increased yields on the Company's investment portfolio. Management has focused on increasing the Company's investments in short and medium maturity bonds. Exclusive of the acquired investments of American Southern, the carrying value of funds available for investment (which include cash, short-term investments, bonds and common and preferred stocks) at December 31, 1995 increased approximately $13.0 million from the balance at the end of 1994, primarily due to cash provided by operations of $3.2 million, and an increase in unrealized gain of $9.8 million.

Realized investment gains have increased to $1.7 million in 1995 from $870,000 in 1994 and $744,000 in 1993, mainly due to the increased gains from the Company's stock portfolio.

Benefits and Expenses

Total insurance benefit and losses increased to $24.7 million in 1995 from $22.0 million in 1994 and decreased from $25.4 million in 1993. The comparative increase in insurance benefits and losses in 1995 was primarily due to the 1994 recognition of a reserve redundancy of $4.9 million in the Casualty Division following the settlement of a significant portion of the Company's workers' compensation insurance liabilities, which reduced insurance benefits and losses in 1994. This reserve redundancy caused a corresponding decrease in the comparison of 1994 insurance benefits and losses to 1993.

Over a three-year period ending December 31, 1995, the Life and Health Division has incurred insurance benefits and losses of $12.3 million in 1995, $15.4 million in 1994 and $15.8 million in 1993. The Life and Health Division's decreases are due to a corresponding decline in insurance premiums and a decrease in reserves caused by elimination of a block of funeral home business.

The Casualty Division has incurred insurance benefits and losses of $12.4 million in 1995, $6.5 million in 1994 and $9.6 million in 1993. With the exception of the recognition of the $4.9 million reserve redundancy in 1994, the Casualty Division's increase in insurance benefits and losses is due to increased premiums which resulted in an increased level of losses and related reserves.

As a percentage of premium revenue, insurance benefits and losses have increased to 56.9% in 1995 from 52.6% in 1994 and decreased from 61.9% in 1993. The Life and Health Division's percentages have decreased to 49.1% in 1995 from 57.1% in 1994 and 56.2% in 1993. The Casualty Division's percentages have decreased to 67.5% in 1995 from 77.2% in 1994, excluding the decrease of $4.9 million for the settlement of a large block of workers' compensation liabilities, and 74.7% in 1993.

Commission and underwriting expenses increased to $15.2 million in 1995 from $13.3 million in 1994 and $14.6 million in 1993. As a percentage of premium revenue, commission and underwriting expenses have increased to 35.2% in 1995 from 32.0% in 1994 and decreased from 35.6% in 1993. Net amortization of deferred acquisition costs has increased to $736,000 in 1995 from $113,000 in 1994 and decreased from $1.4 million in 1993. The increase in the amortization of deferred acquisition costs in 1995 was due mainly to the elimination of the block of funeral home business. The decrease in 1994 was primarily due to a decrease in policy lapses and an increase in new life insurance sales which included the block of funeral home business. Underwriting expenses increased to $7.8 million in 1995 from $7.0 million in 1994 and $7.2 million in 1993. Commissions have fluctuated in the past three years from $7.4 million in 1995, $6.4 million in 1994 and $7.4 million in 1993 due to increased premiums in the Casualty Division and increased life insurance sales.

Interest expense increased to $2.5 million in 1995 from $2.0 million in 1994 and $1.9 million in 1993, due to increased borrowings from affiliates.

Other expense increased $786,000 in 1995 to $6.2 million, but had remained at approximately $5.4 million in both 1994 and 1993. The increase in other expense was due in part to an increase of $248,000 in the expenses related to claims of the Company's self-insured employee group medical plan. The remaining portion of the increase in other expense was due to increased Parent company corporate expenses.

The Company's tax benefit in 1995 is composed of $9,000 of alternative minimum taxes offset by a benefit of $43,000 resulting from overpayments of alternate taxes in the prior year. The Company's tax benefit in 1994 of $546,000 is composed of a state income tax provision of $270,000, an alternative minimum federal income tax provision of $184,000 and a federal income tax benefit of $1.0 million. The benefit of $1.0 million is due to the Company reducing its deferred tax balance in the insurance division by $350,000 upon settlement of a tax case with the IRS regarding tax years 1983 and 1984 and the Company reducing its deferred tax balance by $650,000 upon expiration of a time limitation with respect to another potential tax liability. The Company's tax provision of $60,000 in 1993 was for alternative minimum taxes.

LIQUIDITY AND CAPITAL RESOURCES - CONTINUING OPERATIONS

The major cash needs for the Company are the ability to pay claims and expenses as they come due, and to have adequate statutory capital and surplus to meet state regulatory 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 (excluding American Southern) reported a combined statutory profit of $4.5 million in 1995 compared to $7.7 million in 1994 and $3.6 million in 1993. The 1995 statutory results were due to a profit of $1.5 million in the Casualty Division and a profit of $3.0 million in the Life and Health Division. The 1994 statutory results are due to a profit of $5.1 million in the Casualty Division (which includes the $4.9 million redundancy which was realized on the settlement of the workers' compensation liability previously discussed) and a profit of $2.6 million in the Life and Health Division. The 1993 statutory results were due to a profit of $967,000 in the Casualty Division and a profit of $2.6 million in the Life and Health Division.

Statutory results differ from the generally accepted accounting principles ("GAAP") results of operations for the Casualty Division due to interest expense on surplus notes being a direct charge to surplus and not an income statement item and the deferral of acquisition costs. The Life and Health Division's statutory results differ from GAAP results primarily due to deferral of acquisition costs and reserving methods. Management attempts to keep the maximum premium to surplus ratio at three to one for the Casualty Division. As of December 31, 1995, the Casualty Division (excluding American Southern) had annualized premiums of $18.3 million and surplus of $11.7 million. The Casualty Division (excluding American Southern) has adequate statutory surplus due to a statutory recapitalization which was completed in the second quarter of 1994. In conjunction with the recapitalization, the Casualty Division no longer pays the Company interest on the surplus notes that were subsequently converted to equity. Correspondingly, the Company rescheduled its quarterly interest payments in the second quarter of 1994 on its debt payable to affiliates to correspond to the annual dividend it expects to receive from the Casualty Division. The Casualty Division paid a dividend of approximately $2.0 million to the Company on May 15, 1995. Using the proceeds from the dividend payment, the Company paid a total of $1.1 million in accrued interest on rescheduled interest payments along with $675,000 of short-term notes payable to affiliates.

On May 22, 1995, Bankers Fidelity Life Insurance paid a dividend of approximately $896,000. A total of 93.0% or approximately $835,000 of the total Bankers Fidelity dividend was paid to the Company. These funds have been used to fund leasehold improvements, computer software expenditures, and to fund the Company's stock repurchase plan for up to 500,000 shares which are being used in the Company's various employee benefit plans. In 1995, a total of $267,000 was spent on leasehold improvements, $489,000 on computer software, and $174,000 in repurchasing the Company's stock. A total of $600,000 of funds was received from the exercise of stock options in 1995, the majority of which were due to expire in July of 1995. The primary sources of funds for the Company are dividends from its subsidiaries and management fees and borrowings from affiliates of the Company. The Company believes that additional funding would be available from certain of its affiliates to meet any additional liquidity needs, although currently there are no other arranged sources of unused borrowing.

On January 5, 1996, the Company entered into an agreement with Bankers Fidelity and a newly formed wholly-owned subsidiary of the Company, pursuant to which the Company will acquire the remaining publicly-held interest in Bankers Fidelity that the Company does not own. The transaction will be completed through the merger of the newly formed subsidiary into Bankers Fidelity, with Bankers Fidelity being the surviving corporation in the merger. As a result of the merger, the public shareholders of Bankers Fidelity will receive $6.25 in cash per share, for an aggregate payout of approximately $1.3 million. The source of funds for the payment of the merger consideration, together with an estimated $225,000 in related expenses, will be Bankers Fidelity's surplus account. The transaction is scheduled to be completed on April 1, 1996, following approval by the Bankers Fidelity shareholders.

The Company provides certain administrative and other services to each of its insurance subsidiaries. The amounts charged to and paid by the subsidiaries in 1995 increased approximately $140,000 to $5.6 million. In 1994, these amounts increased approximately $592,000 to $5.4 million. The Company believes that the fees and charges to its subsidiaries and, if needed, borrowings from affiliates will enable the Company to meet liquidity requirements for the foreseeable future. In addition, the Company has a formal tax-sharing agreement between the Company and its insurance subsidiaries, and intends to include American Southern. A net total of $1.4 million was paid to the Company under the tax sharing agreement in 1995. 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 carryforward which totals approximately $60.4 million at December 31, 1995. Approximately 93.0% of the investment assets of the insurance subsidiaries, including American Southern, 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. At December 31, 1995, Georgia Casualty had $6.3 million of accumulated statutory earnings, Bankers Fidelity had $6.1 million of accumulated statutory earnings, Atlantic American Life had $1.3 million of accumulated statutory deficit, and American Southern had $17.0 million of accumulated statutory earnings. 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.

Net cash provided by operating activities totaled $3.2 million in 1995 compared to net cash used of $9.8 million in 1994. This improvement in operating cash flows is due mainly to the payment of $9.1 million by the Casualty Division for the settlement of certain workers' compensation liabilities in 1994. The Company incurred a total of $1.1 million of additions to property and equipment in 1995, which mainly represent leasehold improvements and additions to the new computer system. The insurance subsidiaries of the Company purchased 285,000 shares of Leath's common stock for an aggregate $1.0 million in June and July of 1995, which is reflected in the financial statements as the acquisition of minority interest. This purchase gave the Company approximately 88% ownership of Leath. Cash and short-term investments increased from $4.0 million at December 31, 1994, to $15.1 million at December 31, 1995, due to the $3.2 million of cash provided by operations, net investment proceeds of $5.1 million and the acquisition of American Southern's cash balance of $5.5 million at December 31, 1995. Total investments (excluding short-term investments) increased to $168.1 million at December 31, 1995 from $96.4 million at December 31, 1994 due primarily to the purchase of American Southern.

LIQUIDITY AND CAPITAL RESOURCES - ACQUISITION

On December 31, 1995, the Company acquired all of the outstanding stock of American Southern for an aggregate purchase price of approximately $34.0 million, consisting of $22.6 million in cash and the execution of a note in favor of the seller of $11.4 million. In connection with the acquisition, the Company entered into a Credit Agreement with Wachovia Bank of Georgia, N.A. The Credit Agreement provides for aggregate borrowings of approximately $34.0 million, of which $22.6 million was immediately drawn on December 31, 1995 to finance the cash portion of the purchase price. The remaining amount may be borrowed at any time during 1996 to finance the repayment of the $11.4 million in debt, which is due October 11, 1996. The Company intends to repay its obligations under the Credit Agreement using dividend payments received from American Southern. The Company expects to receive dividends of approximately $300,000 per month from American Southern.

In connection with entering into the Credit Agreement, the Company agreed to convert, effective as of December 31, 1995, approximately $13.4 million in outstanding debt to affiliates into a new series of preferred stock, which will accrue dividends at 9% per year. The Company does not intend to pay the cumulative dividends on this preferred stock during 1996.

DEFERRED TAXES

At December 31, 1995, the net cumulative deferred tax liability consists of $29.0 million of deferred tax assets, offset by $8.9 million of deferred tax liabilities and a $20.2 million valuation allowance.

The Company's ability to generate the expected amounts of 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 meet its expectation of 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.

IMPACT OF INFLATION

Insurance premiums are established before the amount of losses and loss adjustment expenses, or the extent to which inflation may affect such losses and expenses, are known. Consequently, the insurance segment attempts, in establishing its premiums, to anticipate the potential impact of inflation. For competitive reasons, however, premiums may not be able to be increased to anticipate inflation, in which event the Company's inflation costs would be absorbed. Inflation also affects the rate of investment return on the Company's investment portfolio with a corresponding effect on investment income.

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share and Per Share Data)

ASSETS	December 31, 1995	December 31, 1994
Cash, including short-term investments of $12,498 and $2,498	$ 15,069	$ 4,016
Investments	168,117	96,416
Receivables:		
Reinsurance	22,467	12,334
Other (net of allowance for doubtful accounts: $1,260 and $872)	18,567	11,385
Deferred acquisition costs	14,899	13,553
Other assets	4,125	3,017
Goodwill	2,250	-
Net (obligation to) assets of discontinued operations	(953)	8,019
Total assets	$244,541	$148,740

LIABILITIES AND SHAREHOLDERS' EQUITY

	1995	1994
Insurance reserves and policy funds	$143,847	$ 88,295
Accounts payable and accrued expenses	8,010	4,458
Debt payable ($6,358 and $20,408 due to affiliates)	44,921	25,002
Minority interest	1,285	963
Total liabilities	198,063	118,718
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	-
Common stock, $1 par, 30,000,000 shares authorized; 18,712,167 shares issued in 1995 and 18,413,942 shares issued in 1994	18,712	18,414
Additional paid-in capital	46,531	33,289
Accumulated deficit	(34,446)	(27,452)
Net unrealized investment gains	15,589	5,741
Treasury stock, at cost, 32,767 shares in 1995 and 48 shares in 1994	(72)	-
Total shareholders' equity	46,478	30,022
Total liabilities and shareholders' equity	$244,541	$148,740

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

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except Per Share Data)

	Year Ended December 31,		
Revenue:	1995	1994	1993
Insurance premiums	$ 43,373	$ 41,701	$ 40,944
Investment income	6,566	6,628	6,048
Realized investment gains, net	1,731	870	744
Total revenue	51,670	49,199	47,736
Benefits and expenses:			
Insurance benefits and losses incurred	24,689	21,955	25,364
Commissions and underwriting expenses	15,249	13,355	14,591
Interest expense	2,458	1,968	1,886
Other	6,190	5,404	5,428
Total benefits and expenses	48,586	42,682	47,269
Income before income tax benefit, discontinued operations, extraordinary gain and cumulative effect of change in accounting principle for income taxes	3,084	6,517	467
Income tax benefit	34	1,632	989
Income from continuing operations	3,118	8,149	1,456
(Loss) income from discontinued operations, net	(10,094)	1,121	1,543
(Loss) income before extraordinary gain and cumulative effect of change in accounting principle for income taxes	(6,976)	9,270	2,999
Extraordinary gain	-	100	897
(Loss) income before cumulative effect of change in accounting principle for income taxes	(6,976)	9,370	3,896
Cumulative effect of change in accounting principle for income taxes	-	-	(519)
Net (loss) income before preferred stock dividends	(6,976)	9,370	3,377
Preferred stock dividends	(315)	(315)	(315)
Net (loss) income applicable to common stock	$ (7,291)	$ 9,055	$ 3,062
Weighted average common shares outstanding	18,671	18,511	18,476
Net (loss) income per common share data:			
Continuing operations	$ .15	$ .43	$ .06
Discontinued operations	(.54)	.06	.09
Extraordinary gain	-	NIL	.05
Cumulative effect of change in accounting principle for income taxes	-	-	(.03)
Net (loss) income	$ (.39)	$ .49	$ .17

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

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In Thousands, Except Per Share Data)	Preferred Stock(1)	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Net Unrealized Investment Gains	Treasury Stock
Balance, December 31, 1992......	$ 30	$ 18,399	$ 33,915	$ (40,199)	$ 9,456	$ -
Net income....	-	-	-	3,377	-	-
Cash dividends declared on preferred stock.......	-	-	(315)	-	-	-
Effect of change in accounting principle for certain investments in debt securities...	-	-	-	-	1,253	-
Decrease in unrealized investment gains........	-	-	-	-	(110)	-
Balance, December 31, 1993.......	30	18,399	33,600	(36,822)	10,599	-
Net income.....	-	-	-	9,370	-	-
Cash dividends declared on preferred stock........	-	-	(315)	-	-	-
Stock options exercised....	-	15	4	-	-	-
Decrease in unrealized investment gains........	-	-	-	-	(4,858)	-
Balance, December 31, 1994.......	30	18,414	33,289	(27,452)	5,741	-
Net loss.......	-	-	-	(6,976)	-	-
Cash dividends declared on preferred stock........	-	-	(315)	-	-	-
Purchase of 78,148 shares for treasury.....	-	-	-	-	-	(174)
Issuance of 343,606 shares for employee benefits and stock options......	-	298	291	(18)	-	102
Conversion of debt payable to preferred stock.	134	-	13,266	-	-	-
Increase in unrealized investment gains	-	-	-	-	9,848	-
Balance, December 31, 1995.......	$ 164	$ 18,712	$ 46,531	$ (34,446)	$ 15,589	$ (72)

(1) Includes Series A and B preferred stock

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

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands, Except per Share Data)	Year Ended December 31, 1995	1994	1993
Cash flows from operating activities:			
Net (loss) income	$ (6,976)	$ 9,370	$ 3,377
Adjustments to reconcile net (loss) income to net cash used in operating activities:			
Amortization of deferred acquisition costs	3,721	3,008	3,234
Acquisition costs deferred	(2,985)	(2,895)	(1,834)
Realized investment gains	(1,731)	(870)	(744)
Decrease in reserves	(1,203)	(12,939)	(11,387)
Loss (income) from discontinued operations, net	10,094	(1,121)	(1,543)
Depreciation and amortization	547	370	230
Deferred income taxes	-	(1,000)	-
Cumulative effect of change in accounting principle	-	-	519
Minority interest	285	63	59
(Increase) decrease in receivables, net	997	(3,793)	3,135
Extraordinary gain from extinguishment of debt	-	(100)	(897)
Increase in other liabilities	177	472	645
Other, net	319	(366)	(869)
Net cash provided by (used in) continuing operations	3,245	(9,801)	(6,075)
Net cash (used in) provided by discontinued operations	(9,177)	2,291	2,469
Net cash used in operating activities	(5,932)	(7,510)	(3,606)
Cash flows from investing activities:			
Proceeds from investments sold	21,027	17,805	16,686
Proceeds from investments matured, called or redeemed	17,004	7,099	5,997
Investments purchased	(32,909)	(32,514)	(39,222)
Acquisition of minority interest	(1,012)	-	-
Acquisition of American Southern Insurance Company, net of $5,497 of cash acquired	(17,273)	-	-
Additions to property and equipment	(1,107)	(1,270)	(85)
Net cash used in continuing operations	(14,270)	(8,880)	(16,624)
Net cash used in discontinued operations	(2,551)	(6,691)	(1,984)
Net cash used in investing activities	(16,821)	(15,571)	(18,608)
Cash flows from financing activities:			
Proceeds from issuance of notes payable	-	675	1,500
Proceeds from issuance of bank financing	22,642	-	-
Preferred stock dividends	(315)	(315)	(315)
Proceeds from exercise of stock options	600	19	-
Purchase of treasury shares	(174)	-	-
Repayments of long-term debt and notes payable	(675)	-	-
Net cash provided by continuing operations	22,078	379	1,185
Net cash provided by discontinued operations	9,345	4,303	1,161
Net cash provided by financing activities	31,423	4,682	2,346
Net increase (decrease) in cash and cash equivalents	8,670	(18,399)	(19,868)
Cash and cash equivalents at beginning of year:			
Continuing operations	4,016	22,318	43,832
Discontinued operations	2,383	2,480	834
Total	6,399	24,798	44,666
Cash and cash equivalents at end of year :			
Continuing operations	15,069	4,016	22,318

Discontinued operations	-	2,383	2,480
Total	$ 15,069	$ 6,399	$ 24,798
Supplemental cash flow information:			
Cash paid for interest	$ 3,096	$ 900	$ 2,224
Cash paid for income taxes	$ 128	$ 115	$ -
Debt to seller for purchase of American Southern Insurance Company	$ 11,352	$ -	$ -
Long-term debt payable converted to preferred stock	$ 13,400	$ -	$ -

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

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1995, 1994 AND 1993 (Dollars in Thousands, Except Per Share Data)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP"). These financial statements include the accounts of Atlantic American Corporation (the "Company") and its majority-owned subsidiaries, including Leath Furniture, Inc., which has been reflected as discontinued operations in the accompanying financial statements (see Note 8). All significant intercompany accounts and transactions have been eliminated in consolidation and the interests of minority shareholders have been recognized (see Note 16).

The Company has five insurance subsidiaries which include American Southern Insurance Company and its wholly owned subsidiary American Safety Insurance Company (collectively known as "American Southern"), Atlantic American Life Insurance Company, Bankers Fidelity Life Insurance Company and Georgia Casualty & Surety Company. American Southern was acquired on December 31, 1995 (see Note 7). Assets and liabilities are not classified, which is in accordance with insurance industry practice. Certain prior year amounts have been reclassified to conform to the 1995 presentation.

Premium Revenue and Cost Recognition
Life insurance premiums are recognized as revenues when due, whereas accident and health premiums are recognized over the premium paying period. Benefits and expenses are associated with earned premiums so as to result in recognition of profits over the lives of the contracts in proportion to premiums earned. This association is accomplished by the provision of a future policy benefits reserve and the deferral and subsequent amortization of the costs of acquiring business (principally commissions, advertising and certain issue expenses). Traditional life insurance and long-duration health insurance deferred policy acquisition costs are being amortized over the estimated premium-paying period of the related policies using assumptions consistent with those used in computing policy benefit reserves. The deferred policy acquisition costs for property and casualty and short-duration health insurance are amortized over the effective period of the related insurance policies. Deferred policy acquisition costs are expensed when such costs are deemed not to be recoverable from the related unearned premiums and investment income.

Property and casualty insurance premiums are recognized as revenue ratably over the contract period. The Company provides for insurance benefits and losses on accident, health, and casualty claims based upon: (a) management's estimate of ultimate liability and claim adjusters' evaluations for unpaid claims reported prior to the close of the accounting period, (b) estimates of incurred but not reported claims based on past experience, and (c) estimates of loss adjustment expenses. The estimated liability is continually reviewed and updated, and changes to the estimated liability are recorded in the statement of operations in the year in which such changes are known.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill is associated with the acquisition of American Southern and will be amortized over a 15 year period using the straight-line method. The Company will periodically evaluate whether events and circumstances have occurred that indicate the remaining estimated useful life of goodwill may warrant revision. When factors indicate that goodwill should be evaluated for possible impairment, the Company will use an estimate of American Southern's undiscounted income over the estimated remaining life of the goodwill in measuring whether the goodwill is recoverable.

Fair Value of Financial Instruments

The fair value of cash, other receivables, short-term investments, bonds, common and preferred stocks, and mortgage loans was $196,356 and $103,689 at December 31, 1995 and 1994, respectively. Fair values of cash, other receivables and short-term investments approximate fair value because of the short maturity of those instruments. Bonds and common and preferred stock fair values were determined in accordance with methods prescribed by the National Association of Insurance Commissioners ("NAIC"), which do not differ materially from nationally quoted market prices. The fair value of certain municipal bonds is assumed to be equal to amortized cost where no market quotations exist.

The fair values of mortgage loans are estimated based on quoted market prices for those or similar investments. It is not practicable to estimate the fair values of policy loans, student loans and investments in limited partnerships without incurring excessive costs; therefore, no determination of the fair value of these investments has been made.

The fair value of debt and accounts payable and accrued liabilities was $52,377 and $26,182 at December 31, 1995 and 1994, respectively, of which $6,490 and $17,819 related to affiliates, respectively. The fair value of short-term debt payable and accounts payable and accrued liabilities is estimated to be its carrying value. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues, or on the current rates offered for debt having the same or similar terms, and remaining maturities.

Investments

All of the Company's debt and equity securities are classified as available for sale and are carried at market value. Mortgage loans, policy and student loans, and real estate are carried at historical cost. In 1994, investments in limited partnerships were carried at historical cost. If a decline in the value of a common stock, preferred stock, or publicly traded bond below its cost or amortized cost is considered to be other than temporary, a realized loss is recorded to reduce the carrying value of the investment to its estimated net realizable value, which becomes the new cost basis.

The cost of securities sold is based on specific identification. Unrealized gains (losses) in the value of bonds and common and preferred stocks, are accounted for as a direct increase (decrease) in shareholders' equity and, accordingly, have no effect on net (loss) income.

Income Taxes

Income taxes are accounted for by the asset/liability approach in accordance with Statement of Financial Accounting Standards 109 ("SFAS 109"), "Accounting for Income Taxes". Deferred taxes represent the expected future tax consequences when the reported amounts of assets and liabilities are recovered or paid. They arise from differences between the financial reporting and tax basis of assets and liabilities and are adjusted for changes in tax laws and tax rates when those changes are enacted. The provision for income taxes represents the total of income taxes paid or payable for the current year, plus the change in deferred taxes during the year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net (Loss) Income Per Common Share
Net (loss) income per common share is computed on the basis of the weighted average number of common shares and common equivalent shares outstanding during the year applied to net (loss) income after preferred dividends. The weighted average number of shares outstanding was 18,671,000 in 1995, 18,511,000 in 1994 and 18,476,000 in 1993. The effect of convertible subordinated notes and convertible preferred stock was anti-dilutive in each of these years.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand and investments in short-term, highly liquid securities which have original maturities of three months or less from date of purchase.

Use of Estimates in the Preparation of Financial Statements
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, although, in the opinion of management, such differences would not be significant.

DECEMBER 31, 1995, 1994 AND 1993 (Dollars in Thousands, Except Per Share Data)

NOTE 2. INVESTMENTS

Investments are comprised of the following:

1995

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
Bonds:				
U. S. Treasury Securities and Obligations of U.S. Government Corporations and Agencies......	$ 70,553	$ 408	$ 19	$ 70,164
Obligations of states and political subdivisions.........	21,947	6	270	22,211
Corporate securities............	19,817	386	77	19,508
Mortgage-backed securities (government guaranteed)........	996	-	36	1,032
	113,313	$ 800	$ 402	$ 112,915
Common and preferred stocks........	42,116	$ 15,824	$ 633	$ 26,925
Mortgage loans (estimated fair value of $7,291)................	6,952			
Policy and student loans	5,690			
Real estate........................	46			
Investments.....................	168,117			
Short-term investments............	12,498			
Total investments..............	$180,615			

1994

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
Bonds:				
U. S. Treasury Securities and Obligations of U.S. Government Corporations and Agencies..................	$ 27,674	$ 88	$ 340	$ 27,926
Obligations of states and political subdivisions.........	3,465	-	421	3,886
Corporate securities............	18,993	99	782	19,676
Mortgage-backed securities (government guaranteed)........	1,343	-	100	1,443
	51,475	$ 187	$ 1,643	$ 52,931
Common and preferred stocks	29,571	$ 8,540	$ 1,343	$ 22,374
Mortgage loans (estimated fair value of $7,242)................	7,410			
Policy and student loans...........	6,867			
Investment in limited partnerships.	1,047			
Real estate........................	46			
Investments.....................	96,416			
Short-term investments............	2,498			
Total investments...............	$ 98,914			

Bonds having an amortized cost of $13,643 and $9,323 were on deposit with insurance regulatory authorities at December 31, 1995 and 1994, respectively, in accordance with statutory requirements.

The amortized cost and carrying value of bonds and short-term investments at December 31, 1995 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

DECEMBER 31, 1995, 1994 AND 1993 (Dollars in Thousands, Except Per Share Data)

NOTE 2. INVESTMENTS (CONTINUED)

	Carrying Value	Amortized Cost
Due in one year or less	$ 43,188	$ 43,083
Due after one year through five years	32,856	32,929
Due after five years through ten years	17,439	17,199
Due after ten years	31,332	31,170
Varying maturities	996	1,032
Totals	$125,811	$125,413

Investment income was earned from the following sources:

	1995	1994	1993
Bonds	$ 3,549	$ 3,267	$ 2,602
Common and preferred stocks	1,205	1,603	1,365
Mortgage loans	791	722	807
CD's and commercial paper	548	604	851
Other	473	432	423
Total investment income	6,566	6,628	6,048
Less investment expenses	(424)	(465)	(345)
Net investment income	$ 6,142	$ 6,163	$ 5,703

A summary of realized investment gains (losses) follows:

	1995				1994			1993		
	Stocks	Bonds	Limited Partnership	Total	Stocks	Bonds	Total	Stocks	Bonds	Total
Gains	$1,743	$ 35	$ 363	$2,141	$1,150	$ 5	$1,155	$1,231	$ 91	$1,322
Losses	(73)	(9)	-	(82)	(260)	(25)	(285)	(313)	(213)	(526)
Write-downs	(162)	(166)	-	(328)	-	-	-	(52)	-	(52)
Total realized investment gains (losses), net	$1,508	$(140)	$ 363	$1,731	$ 890	$(20)	$ 870	$ 866	$(122)	$ 744

Proceeds from the sale of common and preferred stocks, bonds and other investments are as follows:

	1995	1994	1993
Common and preferred stocks	$10,199	$ 9,163	$ 8,197
Bonds	1,730	-	1,218
Student loans	7,278	7,845	4,794
Other investments	1,820	797	2,477
Total proceeds	$21,027	$17,805	$16,686

The investment which exceeds 10% of shareholders' equity at December 31, 1995 was a common stock investment in the Wachovia Corporation with a carrying value of $15,185 and a cost basis of $3,475.

The Company's bond portfolio consisted of a total of 99% investment grade securities at December 31, 1995 as defined by the NAIC.

DECEMBER 31, 1995, 1994 AND 1993 (Dollars in Thousands, Except Per Share Data)

NOTE 3. INSURANCE RESERVES AND POLICY FUNDS

The following table presents the Company's reserves for life, accident, health and casualty losses as well as loss adjustment expenses.

			Amount of Insurance in Force	
Future policy benefits	1995	1994	1995	1994
Life insurance policies				
Individual and group life:				
Ordinary	$ 20,806	$ 19,868	$221,450	$217,018
Mass market	9,578	9,852	22,896	24,936
Individual annuities	887	997	-	-
	31,271	30,717	$244,346	$241,954
Accident and health insurance policies	5,034	6,924		
	36,305	37,641		
Unearned premiums	24,140	7,740		
Losses and claims	79,514	40,730		
Other policy liabilities	3,888	2,184		
Total policy liabilities	$143,847	$ 88,295		

Annualized premiums for accident and health insurance policies were $16,595 and $18,806 at December 31, 1995 and 1994, respectively.

Future Policy Benefits -

Liabilities for life insurance future policy benefits are based upon assumed future investment yields, mortality rates and withdrawal rates after giving effect to possible risks of adverse deviation. The assumed mortality and withdrawal rates are based upon the Company's experiences. The interest rates assumed for life, accident and health are generally: (i) 2 1/2% to 5 1/2% for issues prior to 1977, (ii) 7% graded to 5 1/2% for 1977 through 1979 issues, (iii) 9% for 1980 through 1987 issues, and (iv) 7% for 1988 and later issues.

Morbidity assumptions for hospital indemnity insurance are based on the 1974 hospital and surgical tables and the 1959 DBD tables, while morbidity assumptions for Medicare supplement insurance are based on industry studies and the Company's experience. Hospital indemnity mortality and withdrawal assumptions are based on the Ultimate 65-70 tables and the Linton Lapse tables. Medicare supplement mortality and withdrawal assumptions are based on Company experience.

Losses and Claim Reserves -

Until September 30, 1991, the Company participated in the National Workers' Compensation Reinsurance Pool, which is a national reinsurance fund for policies allocated to insurers under various states' workers' compensation assigned risk laws for companies that cannot otherwise obtain coverage. On December 30, 1994, the Company satisfied its obligation with respect to all outstanding and future claims associated with the Company's participation for a cash payment of $9,057. The redundancy in the losses and claims reserves, as a result of its settlement, of $4,870 reduced the 1994 provision for insurance benefits and losses incurred by a corresponding amount.

DECEMBER 31, 1995, 1994 AND 1993 (Dollars in Thousands, Except Per Share Data)

NOTE 3. INSURANCE RESERVES AND POLICY FUNDS (CONTINUED)

Activity in the liability for unpaid claims and claim adjustment expenses is summarized as follows:

	1995	1994
Balance at January 1	$40,730	$54,762
Less: Reinsurance recoverables	(12,334)	(11,063)
Net balance at January 1	28,396	43,699
Incurred related to:		
Current year	17,017	22,900
Prior years	5,364	(3,289)
Total incurred	22,381	19,611
Paid related to:		
Current year	13,743	14,548
Prior years	8,398	20,366
Total paid	22,141	34,914
Reserves acquired due to acquisition, net	28,411	-
Net balance at December 31	57,047	28,396
Plus: Reinsurance recoverables	11,893	12,334
Reinsurance recoverables acquired due to acquisition	10,574	-
Balance at December 31	$79,514	$40,730

Following is a reconciliation of total incurred claims to total insurance benefits and losses incurred:

	1995	1994
Total incurred claims	$22,381	$19,611
Cash surrender value and matured endowments	975	849
Death benefits	1,333	1,495
Total insurance benefits and losses incurred	$24,689	$21,955

DECEMBER 31, 1995, 1994 AND 1993 (Dollars in Thousands, Except Per Share Data)

NOTE 4. REINSURANCE

In accordance with general practice in the insurance industry, portions of the life, property and casualty insurance written by the Company are reinsured; however, the Company remains contingently liable with respect to reinsurance ceded should any reinsurer be unable to meet its obligations. Approximately 83% of the reinsurance receivables are due from six reinsurers as of December 31, 1995. In the opinion of management, the Company's reinsurers are financially stable and allowances for uncollectible amounts are established against reinsurance receivables, if appropriate. The following table reconciles premiums written to premiums earned and summarizes the components of insurance benefits and losses incurred for all of the Company's insurance subsidiaries except American Southern.

	1995	1994	1993
Premiums written............	$ 46,773	$ 45,230	$ 42,372
Less - premiums ceded........	(3,037)	(2,461)	(2,080)
Net premiums written.......	43,736	42,769	40,292
Change in unearned premiums	(230)	(826)	453
Change in unearned premiums ceded	(133)	(242)	199
Net change in unearned premiums	(363)	(1,068)	652
Net premiums earned........	$ 43,373	$ 41,701	$ 40,944
Provision for benefits and losses incurred	$ 25,999	$ 22,923	$ 26,549
Reinsurance loss recoveries...	(1,310)	(968)	(1,185)
Insurance benefits and losses incurred..................	$ 24,689	$ 21,955	$ 25,364

DECEMBER 31, 1995, 1994 AND 1993 (Dollars in Thousands, Except Per Share Data)

NOTE 5. INCOME TAXES

During the first quarter of 1993, the Company adopted SFAS 109. The Company recorded a cumulative catch-up charge due to the adoption of SFAS 109 in the amount of $519. Prior to the implementation of SFAS 109, the Company accounted for income taxes using Accounting Principles Board Opinion No. 11.

The Company files a consolidated federal income tax return with its insurance and furniture subsidiaries, excluding American Southern. Beginning in 1996, American Southern will be incorporated into the consolidated tax return.

A reconciliation of the differences between income taxes on income before discontinued operations and extraordinary item, computed at the federal statutory income tax rate is as follows:

	1995	1994	1993
Federal income tax provision at statutory rate of 35%............................	$ 1,079	$ 2,281	$ 163
Tax exempt interest and dividends received deductions...........	(391)	(431)	(339)
Increase in net deferred tax assets from 1993 tax rate change.....................	-	-	(693)
Reduction of deferred taxes...............	-	(1,000)	-
Changes in asset valuation allowance:			
Utilization of net operating loss........	(731)	(2,622)	(823)
Increase due to 1993 tax rate change.....	-	-	693
Alternative minimum tax....................	9	140	10
(Benefit) for income taxes from continuing operations................	(34)	(1,632)	(989)
Provision for income taxes from discontinued operations.............	-	1,086	1,049
Total (benefit) provision for income taxes..................	$ (34)	$ (546)	$ 60

Deferred tax liabilities and assets at December 31, 1995 and 1994 are comprised of the following:

	Tax Effect 1995	Tax Effect 1994
Deferred tax liabilities:		
Deferred acquisition costs........	$(3,416)	$(2,871)
Net unrealized investment gains........	$(5,456)	$(2,009)
Total deferred tax liablities	$(8,872)	$(4,880)

	Tax Effect 1995	Tax Effect 1994
Deferred tax assets:		
Net Operating loss carry-forwards....	$ 21,129	$ 20,360
Insurance reserves....	7,466	5,204
Bad Debts.....	441	211
Total deferred tax assets	29,036	25,775
Asset valuation allowance....	(20,164)	(20,895)
Net deferred tax assets..	$ -	$ -

DECEMBER 31, 1995, 1994 AND 1993 (Dollars in Thousands, Except Per Share Data)

NOTE 5. INCOME TAXES (CONTINUED)

The components of the (benefit) provision are:

	1995	1994	1993
Continuing operations			
Current:			
Federal	$ (34)	$ (632)	$ (989)
Deferred:			
Federal	-	(1,000)	-
Discontinued operations			
Current:			
Federal	-	816	1,049
State	-	270	-
Total	$ (34)	$ (546)	$ 60

The Internal Revenue Service ("IRS") examined the 1983 and 1984 federal income tax returns of the Company, and the Company entered into litigation with the IRS regarding claims for additional taxes related primarily to intercompany reinsurance transactions. In 1994, the Company reached a favorable settlement with the IRS on all disputed matters, and there was an expiration of a time limitation with respect to another potential tax liability. The settlement with the IRS resulted in no tax payments by the Company and, accordingly, the deferred tax reserves were reduced by $1,000. Subsequent to the settlement of the tax case, in 1995 the Company paid interest of $202 related to the above tax case.

At December 31, 1995, the Company has regular tax loss carryforwards of approximately $60,369 expiring generally between 2000 and 2009.

The Company has determined, based on its earnings history, that an asset valuation allowance of $20,164 should be established against its net deferred tax assets at December 31, 1995. The Company's asset valuation allowance changed by $731 during 1995, due primarily to the addition of tax net operating loss carryforwards. The Company has a formal tax-sharing agreement with each of its subsidiaries, excluding American Southern. Beginning in 1996, American Southern will be incorporated into the formal tax-sharing agreement.

DECEMBER 31, 1995, 1994 AND 1993 (Dollars in Thousands, Except Per Share Data)

NOTE 6. CREDIT ARRANGEMENTS

	1995	1994
Arrangements with affiliates		
9% notes payable; callable after April 15, 1995	$ -	$ 675
Notes payable with payment of $3,000 in 2001 and final payment of $2,300 in 2002 (weighted average interest rate of 9-1/2% and 9-1/4% at December 31, 1995 and 1994, respectively)	5,300	18,700
Total affiliated arrangements	$ 5,300	$ 19,375
Arrangements with non-affiliates		
8% Convertible subordinated notes due May 15, 1997 ($1,058 and $1,033 held by affiliates at December 31, 1995 and 1994, respectively)	$ 5,627	$ 5,627
Note payable to bank at prime (8 1/2%) due December 31, 2000	22,642	-
Note payable to seller at prime (8 1/2%) and accrued interest due October 11, 1996	11,352	-
Total non-affiliated arrangements	$39,621	$ 5,627
Total arrangements		
Due within one year	$13,352	$ 675
Long-term debt	$31,569	$24,327

The 8% convertible subordinated notes are convertible into an aggregate of 514,000 shares of common stock at a price of $10.94 per share. The notes are redeemable at the Company's option at declining premiums until May 15, 1997.

The note payable to bank at prime rate due December 31, 2000 is payable in two semi-annual payments of $1,000 in 1996 and four quarterly payments of $1,000 in 1997 through 2000 with the balance due at maturity. Interest is paid quarterly in arrears.

The note payable to seller at prime due October 11, 1996 was executed upon the acquisition of American Southern and is scheduled to be paid off with an additional advance with the same bank as the note due December 31, 2000. The rate on the advance will be prime plus 0.5%, but will return to prime if the Company repays an amount equal to or greater than $4,000 on or before January 31, 1997. Currently, 50% of the interes on the note to seller is payable quarterly in arrears and the remaining 50% is due October 11, 1996. The Company is required t o maintain certain ratios as it relates to funded debt to consolidated total capitalization, cash flow to debt service, as well as comply with limitations on capital expenditures and debt obligations. The Company was in compliance with all of the covenants associated with the debt payable to bank at December 31, 1995.

Maturities

The Company's principal payments on credit arrangements outstanding at December 31, 1995 over the next five years are as follows:

Year	Amount
1996	$13,352
1997	9,627
1998	4,000
1999	4,000
2000	8,642

DECEMBER 31, 1995, 1994 AND 1993 (Dollars in Thousands, Except Per Share Data)

NOTE 7. ACQUISITION OF AMERICAN SOUTHERN INSURANCE COMPANY

On December 31, 1995, the Company acquired a 100% ownership interest in American Southern for approximately $34,000 ($22,648 in cash and a note to seller of $11,352). Accordingly, the balance sheet of American Southern has been included in the accompanying financial statements; however, the results of operations have been excluded. American Southern is a 59 year old company headquartered in Atlanta, operating as a multi-line property and casualty company primarily engaged in the sale of state and municipality automobile insurance.

The acquisition has been accounted for as a purchase transaction and, accordingly, the purchase price was allocated to assets and liabilities based on their estimated fair values as of the date of acquisition. The excess of the consideration paid over the estimated fair values of net assets acquired in the amount of $2,250 has been recorded as goodwill to be amortized on the straight-line basis over 15 years.

The following unaudited pro forma summary combines the consolidated results of operations of the Company and American Southern as if the acquisition had taken place at the beginning of the following periods after giving effect to certain adjustments. These adjustments include adjustments to increase interest expense on funds used by the Company to purchase American Southern, the amortization of goodwill, a reduction in American Southern's income tax expense due to the Company's intercompany tax sharing agreement and give effect to the conversion of $13.4 million in debt into 134,000 shares of Series B Preferred Stock (see Note 11). This pro forma information is not necessarily indicative of the financial position or results of operations that would have occurred had the acquisition taken place at the beginning of the periods.

	1995	1994
Revenue	$ 95,855	$ 90,040
Net (loss) income:		
Continuing operations	$ 6,865	$ 12,889
Discontinued operations	(10,094)	1,121
Extraordinary gain	-	100
Net (loss) income	$ (3,229)	$ 14,110
Net (loss) income per common share data:		
Continuing operations	$ .29	$ .62
Discontinued operations	(.54)	.06
Net (loss) income	$ (.25)	$ .68

In connection with the acquisition of American Southern, the following assets and liabilities where acquired:

	1995
Cash, short-term investments and investments	$ 72,414
Receivables, net	16,716
Deferred acquisition costs	2,082
Goodwill	2,250
Other assets	901
Total assets	94,363
Unearned premiums	16,170
Losses and claims	38,985
Short-term debt	11,352
Other policy liabilities	1,600
Other payables	3,374
Total liabilities	71,481
Net assets	$ 22,882

DECEMBER 31, 1995, 1994 AND 1993 (Dollars in Thousands, Except Per Share Data)

NOTE 8. DISCONTINUED OPERATIONS

Subsequent to year end, the Company announced its intent to sell its approximately 88% interest in Leath Furniture, Inc. ("Leath"), a retail furniture chain. Accordingly, the consolidated financial statements have been adjusted to separately report the net assets and operating results of these discontinued operations. The Company is in the process of negotiating an agreement for the sale of such interest to a related party, and expects to complete the sale during the first half of 1996. Any gain from this transaction will be recorded as a direct credit to additional paid-in capital.

The following results of operations and financial position are attributable to discontinued operations:

	1995	1994	1993
Results of Operations:			
Net sales	$113,265	$117,554	$116,155
(Loss) income from discontinued operations	$ (6,656)	$ 1,121	$ 1,543
Provision for discontinued operations	(3,438)	-	-
Net (loss) income from discontinued operations	$(10,094)	$ 1,121	$ 1,543
(Loss) income per share from discontinued operations	$ (.54)	$ .06	$ .09
Financial Position:			
Merchandise inventory	$ 26,089	$ 25,008	
Property and equipment, net	21,655	21,459	
Goodwill	9,304	10,483	
Other assets	8,447	7,774	
Total liabilities	(66,448)	(56,705)	
Net assets of discontinued operations	$ (953)	$ 8,019	

The provision for discontinued operations of $3.4 million includes losses from the measurement date until the anticipated disposal date.

DECEMBER 31, 1995, 1994 AND 1993 (Dollars in Thousands, Except Per Share Data)

NOTE 9. COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are party 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.

Operating Lease Commitments

The Company's rental expense, including common area charges, for operating leases was $1,013, $1,080 and $1,126 in 1995, 1994 and 1993, respectively. The Company's future minimum lease obligations under non-cancelable operating leases are as follows:

Year Ending December 31,	
1996	$ 878
1997	874
1998	864
1999	848
2000	672
2001 and Beyond	1,876
Total	$6,012

NOTE 10. EMPLOYEE BENEFIT PLANS

Stock Options At December 31, 1995, the Company has two stock-based compensation plans. In 1992, the shareholders approved the Company's adoption of the 1992 Incentive Plan ("1992 Plan"). The 1992 Plan originally provided for a maximum of 400,000 stock options subject to issuance. The 1992 Plan was amended in 1995, subject to Shareholder approval at the 1996 Annual Meeting, to provide for an additional 400,000 stock options. Prior to the 1992 Plan, the shareholders had approved the Company's 1987 Stock Option Plan ("1987 Plan") providing for a maximum of 500,000 options subject to issuance. This plan expires in 1997. Since the inception of the 1992 Plan, no options have been or will be granted under the 1987 Plan. These two stock option plans provide that options of common stock of the Company may be granted at an option price to be not less than 85% to 100% of the fair market value of the shares on the date of grant. Options granted under these plans expire five years from date of grant. Vesting occurs at 50% upon issuance of an option, and the remaining portion is vested at 25% in each of the following two years.

The following is a summary of stock option information for the Company's stock option plans:

	1995	1994
Options outstanding, beginning of year	745,442	612,500
Options granted	125,000	152,500
Options exercised ($1.00-$2.125)	(309,651)	(14,558)
Options canceled or expired ($1.00-$2.125)	(130,650)	(5,000)
Options outstanding, end of year	430,141	745,442
Option price range per share	$1.00-$2.50	$.969-$2.125
Options exercisable	333,766	664,942
Options available for grant	389,750	98,500

401(k) Plan
The Company initiated an employees' savings plan under Section 401(k) of the Internal Revenue Code in May of 1995. The plan covers substantially all the Company's employees, except employees of American Southern. The Company previously had a profit sharing plan for its employees. The plan was subsequently amended and restated for 401(k) provisions. Under the plan, employees generally may elect to exclude up to 16% of their compensation from amounts subject to income tax as a salary deferral contribution. The Company makes a matching contribution to each employee in an amount equal to 50% of the first 6% of such contributions. The Company's matching contribution to the plan which is in Company stock was approximately $72 in 1995.

NOTE 11. PREFERRED STOCK

Annual dividends on the Series A Convertible Preferred Stock ("Series A Preferred Stock") are $10.50 per share and are cumulative. The Series A Preferred Stock is convertible into approximately 752,000 shares of the Company's common stock at a conversion price of $3.99 per share and is redeemable at the Company's option at declining premiums until March 15, 1997 and thereafter at $100 per share, plus unpaid dividends.

As part of the American Southern acquisition and effective December 31, 1995, the Company issued 134,000 shares of Series B Preferred Stock ("Series B Preferred Stock") having a stated value of $100 per share. Annual dividends to be paid are $9.00 per share and are cumulative. The Series B Preferred Stock is not currently convertible, but may become convertible into shares of the Company's common stock under certain circumstances. In such event, the Series B Preferred Stock would be convertible into an aggregate of approximately 3,358,000 shares of the common stock at a conversion ratio of $3.99 per share. The Series B Preferred Stock is redeemable at the option of the Company.

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NOTE 12. STATUTORY REPORTING

The assets, liabilities and results of operations have been reported on the basis of GAAP, which varies from statutory accounting practices ("SAP") prescribed or permitted by insurance regulatory authorities. The principal differences between SAP and GAAP are that under statutory accounting: (i) certain assets that are nonadmitted assets are eliminated from the balance sheet; (ii) acquisition costs for policies are expensed as incurred, while they are deferred and amortized over the estimated life of the policies under GAAP; (iii) no provision is made for deferred income taxes; (iv) the timing of establishing certain reserves is different than under GAAP; (v) certain notes are considered surplus rather than debt; (vi) valuation allowances are established against investments; and (vii) goodwill is limited to 10% of an insurer's surplus, subject to a ten year amortization period.

The amount of statutory net income (excluding American Southern) and surplus (shareholders' equity) for the insurance subsidiaries (including American Southern's surplus for 1995 only) for the years ended December 31 were as follows:

	1995	1994	1993
Life and Health	$ 3,021	$ 2,643	$ 2,585
Property and Casualty	1,466	5,091	967
Net income	$ 4,487	$ 7,734	$ 3,552
Life and Health	$24,724	$19,858	$18,131
Property and Casualty	38,995	9,663	5,740
Surplus	$63,719	$29,521	$23,871

Under the Insurance Code of the State of Georgia, dividend payments to the Company by its insurance subsidiaries have certain limitations without the prior approval of the Insurance Commissioner. In 1996, dividend payments by the insurance companies in excess of $7.5 million would require prior approval. The Company received dividends of $2,864 and $972 in 1995 and 1993, respectively. No dividends were paid in 1994. As of December 31, 1995 and 1994, the life and health insurance subsidiaries and the property and casualty subsidiaries must individually maintain minimum statutory capital and surplus of $3,000.

For statutory purposes, in April of 1994, the property and casualty subsidiary received permission from the Georgia Insurance Department to (1) close out its accumulated deficit in its unassigned funds account, (2) have the Company contribute its remaining $11.2 million in Surplus Notes to capital, and (3) in the future to pay up to the maximum dividends allowed under the applicable regulations. This transaction in effect was a statutory recapitalization of the casualty subsidiary.

NOTE 13. RELATED PARTY AND OTHER TRANSACTIONS

In the normal course of business, and in management's opinion at terms comparable to those available from unrelated parties, the Company has engaged in transactions with its Chairman and his affiliates. These transactions include leasing of office space, investing and financing. A brief description of each of these is discussed below.

The Company leases approximately 65,500 square feet of office and covered garage space from an affiliated company. In the years ended December 31, 1995, 1994 and 1993, the Company paid $960, $1,044 and $1,071, respectively, under the lease.

A majority of the financing of the Company has historically been through affiliates of the Company or its Chairman, in the form of debt and the Series A Preferred Stock. Effective December 31, 1995, the Company issued 134,000 shares of Series B Preferred Stock in exchange for cancellation of approximately $13.4 million in outstanding debt to the Company's Chairman and certain of his affiliates (see Note 11).

The Company has mortgage loans to finance properties owned by its discontinued furniture subsidiary. At December 31, 1995 and 1994, the balance of mortgage loans owed to various of the Company's insurance subsidiaries was $6,400 and $6,756, respectively. For 1995, 1994, and 1993, interest on the mortgage loans totaled $730, $650, and $644, respectively.

Certain members of management are on the Board of Directors of Bull Run Corporation and Gray Communications Systems, Inc. At December 31, 1995 and 1994, the Company owned 600,000 and 0, respectively, of the common shares outstanding of Bull Run Corporation and 236,040 and 147,360, respectively of the common shares outstanding of Gray Communications Systems, Inc.

DECEMBER 31, 1995, 1994 AND 1993 (Dollars in Thousands, Except Per Share Data)

NOTE 14. SEGMENT INFORMATION

The following summary sets forth the Company's business segments by revenue, (loss) income before income tax benefit, discontinued operations, extraordinary gain and cumulative effect of change in accounting principle (exclusive of American Southern) and assets (inclusive of American Southern for 1995 only). The Company, after discontinuation of its furniture segment, operates in three segments: Property and Casualty Insurance, Life Insurance, and Accident and Health Insurance.

	Property and Casualty	Life	Accident and Health	Discontinued Operations	Other	Adjustments and Eliminations	Consolidated
Revenue							
1995	$ 21,532	$12,435	$18,508	$ -	$ 2	$ (807)	$ 51,670
1994	17,808	11,225	20,745	-	2	(581)	49,199
1993	16,114	9,529	23,295	-	(49)	(1,153)	47,736
(Loss) income before income tax benefit, discontinued operations, extraordinary gain and cumulative effect of change in accounting principle for income taxes							
1995	2,353	2,033	1,025	-	(2,419)	92	3,084
1994	5,880	1,199	1,100	-	(1,783)	121	6,517
1993	(268)	752	1,274	-	(1,291)	-	467
Assets							
1995	150,505	71,532	19,603	(953)	3,854	-	244,541
1994	53,462	61,703	22,339	8,019	3,217	-	148,740
1993	61,166	60,484	26,281	4,921	1,857	113	154,822

Capital expenditures were $1,107, $1,270, and $85 in 1995, 1994, and 1993, respectively.

DECEMBER 31, 1995, 1994 AND 1993 (Dollars in Thousands, Except Per Share Data)

NOTE 15. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth a summary of the quarterly unaudited results of operations for the two years ended December 31, 1995:

	1995				1994			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter(1)
Revenue..	$11,911	$12,772	$13,588	$13,399	$11,474	$12,071	$12,462	$13,192
Income:								
Income before income tax (expense) benefit, net...	$ 228	$ 723	$ 1,207	$ 926	$ 16	$ 413	$ 692	$ 5,396
Income tax (expense) benefit, net..	(9)	-	-	43	582(2)	896(2)	165	(11)
Continuing operations	219	723	1,207	969	598	1,309	857	5,385
Discontinued operations	225	(3,205)	(1,404)	(5,710)(3)	663	127	(252)	583
Income (loss) before extraordinary gain	444	(2,482)	(197)	(4,741)	1,261	1,436	605	5,968
Extraordinary gain	-	-	-	-	-	-	100	-
Net income (loss)	$ 444	$(2,482)	$ (197)	$(4,741)	$ 1,261	$1,436	$ 705	$ 5,968
Per common share data:								
Continuing Operations	$ .01	$ .03	$ .06	$ .05	$ .02	$ .06	$ .04	$ .31
Discontinued Operations	.01	(.17)	(.07)	(.30)	.04	.01	(.01)	.02
Net income (loss)	$ .02	$ (.14)	$ (.01)	$ (.25)	$ .06	$ .07	$ .03	$ .33

(1) The fourth quarter of 1994 includes a reserve redundancy of $4,870 for the settlement of a block of workers' compensation insurance business.
(2) Income tax benefit net, includes $350 and $650, in the first and second quarter of 1994, respectively for settlement of a tax case and expiration of a time limitation with respect to another potential tax liability.
(3) Includes provision for discontinued operations of $3,438 (see Note 8).

NOTE 16. SUBSEQUENT EVENT

On January 5, 1996, the Company entered into an agreement with Bankers Fidelity and a newly formed wholly-owned subsidiary of the Company, pursuant to which the Company will acquire the remaining publicly-held interest in Bankers Fidelity that the Company does not own. The transaction will be completed through the merger of the newly formed subsidiary into Bankers Fidelity, with Bankers Fidelity being the surviving corporation in the merger. As a result of the merger, the shareholders of Bankers Fidelity, other than the Company, will receive $6.25 in cash per share, for an aggregate payout of approximately $1.3 million. The transaction is scheduled to be completed on April 1, 1996, following approval by the Bankers Fidelity shareholders.

DECEMBER 31, 1995, 1994 AND 1993 (Dollars in Thousands, Except Per Share Data)

MARKET INFORMATION

The common stock of the Company is traded in the over-the-counter market and is quoted on the NASDAQ National Market under the symbol "AAME". As of March 8, 1996, the Company had approximately 6,880 stockholders, including beneficial owners holding shares in nominee or "street" name. The following tables show for the periods indicated the range of the reported high and low prices of the common stock on the NASDAQ National Market and the closing price of the stock and percent of change at December 31. No common stock dividends have been paid since 1988.

	1995		1994	
	High	Low	High	Low
First quarter......................	$2 3/4	$2	$2 5/8	$1 3/4
Second quarter.....................	2 1/2	2	2 7/16	1 7/8
Third quarter......................	2 7/8	1 7/8	2 1/4	1 7/8
Fourth quarter.....................	3	2 1/8	2 1/4	1 3/4

	1992	1993	1994	1995
December 31, stock price close per share	$1 5/8	$1 3/4	$2 1/4	$2 5/16
Stock price percentage of change....	+116%	+8%	+28.6%	+2.8%

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of
Atlantic American Corporation:

We have audited the accompanying consolidated balance sheets of Atlantic American Corporation (a Georgia corporation) and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated balance sheet of American Southern Insurance Company, which statements reflect total assets of 39% of the consolidated assets. That balance sheet was audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for that entity, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on the audits and the report of other auditors, the financial statements (pages 15 through 37) referred to above present fairly, in all material respects, the financial position of Atlantic American Corporation and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
March 15, 1996

SUBSIDIARIES

Atlantic American Life Insurance Company
Bankers Fidelity Life Insurance Company
J. MACK ROBINSON
Chairman
EUGENE CHOATE
President
HILTON H. HOWELL, JR.
Executive Vice President
JOHN W. HANCOCK
Senior Vice President & Treasurer
ANTHONY D. CHAPMAN
Vice President & Chief Marketing Officer, Agency Division
ROBERT E. OREAN
Vice President & Actuary
SHARON A. BUSCH
Assistant Vice President
PATRICIA F. MAYNE
Assistant Treasurer
JANIE L. RYAN
Assistant Secretary
GAIL T. ARNOLD
Assistant Secretary

Georgia Casualty & Surety Company
J. MACK ROBINSON
Chairman & President
HILTON H. HOWELL, JR.
Executive Vice President
LINDA COOK
Vice President, Secretary & Treasurer
GEORGE G. CLEMENTS
Vice President, Claims
SANDRA W. DOAR
Vice President, Underwriting
JANIE L. RYAN
Assistant Secretary

American Southern Insurance Company
American Safety Insurance Company
ROY S. THOMPSON, JR.
Chairman
CALVIN L. WALL
Vice Chairman & CEO
SCOTT G. THOMPSON
President & CFO
THOMAS J. WHITTY
Senior Vice President, Claims
DAVID I. WEEKS
General Vice President
WANDA J. HULSEY
Vice President, Underwriting
BRIAN G. HAURYLAK
Vice President
JOHN R. HUOT
Vice President
GLENDA N. BATES
Treasurer
GAIL A. PARSONS
Secretary & Assistant Vice President
ERNEST E. GRANT, JR.
Assistant Vice President
WILLIAM E. LYNCH
Assistant Vice President
BRIAN C. MOSS
Assistant Vice President
MICHAEL D. WINSTON
Assistant Vice President
TERESA P. GANN
Assistant Secretary

SHAREHOLDER INFORMATION

ANNUAL MEETING

Atlantic American's annual meeting of shareholders will be held on Tuesday, May 7, 1996, at 9:00 a.m. in the Peachtree Insurance Center, 4370 Peachtree Road, N.E., Atlanta, Georgia. Holders of common stock of record at the close of business on March 8, 1996, are entitled to vote at the meeting. A notice of meeting, proxy statement and proxy were mailed to shareholders with this annual report.

Independent Accountants
Arthur Andersen LLP
Atlanta, Georgia

Legal Counsel
Jones, Day, Reavis & Pogue
Atlanta, Georgia

Stock Exchange Listing
Symbol: AAME
Traded over-the-counter market
Quoted on the NASDAQ National
Market

Transfer Agent and Registrar
Atlantic American Corporation
Attn.: Janie L. Ryan, Corporate Secretary
P. O. Box 190720
Atlanta, Georgia 31119-0720
1 (800) 241-1439 or (404) 266-5532

Form 10-K and Other Information For investors and others seeking additional data regarding Atlantic American Corporation or copies of the Corporation's annual report to the Securities and Exchange Commission (Form 10-K), please contact Janie L. Ryan Corporate Secretary, 1 (800) 241-1439 or (404) 266-5532.

Atlantic
American
Corporation

4370 Peachtree Road, N.E.
Atlanta, Georgia 30319-3000
Telephone: 404-266-5500
Telecopier: 404-266-5596
            404-266-5699

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

Subsidiary	State of Incorporation
American Safety Insurance Company	Georgia
American Southern Insurance Company	Georgia
Atlantic American Life Insurance Company	Georgia
Bankers Fidelity Life Insurance Company	Georgia
Georgia Casualty & Surety Company	Georgia
Leath Furniture, Inc.	Delaware
Modernage Furniture, Inc.	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included and incorporated by reference in this Form 10-K into the Company's previously filed registration statements (33-56866) on Form S-8.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
March 15, 1996

7
1,000
YEAR
DEC-31-1995
DEC-31-1995
0
113,313
113,313
42,116
6,952
46
168,117
15,069
22,467
14,899
244,541
115,819
24,140
3,888
0
44,921
0
164
18,712
27,602
244,541
43,373
6,566
1,731
0
24,689
15,249
0
3,084
34
3,118
(10,094)
0
0
(6,976)
(0.39)
(0.39)
40,730
17,017
5,364
13,743
8,398
79,514
0