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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 1999

OR

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

Commission File Number 0-3722

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

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

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

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

The total number of shares of the registrant's Common Stock, $1 par value, outstanding on November 11, 1999, was 21,023,726.

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ATLANTIC AMERICAN CORPORATION

INDEX

Part 1. Financial Information — Page No.

Item 1. Financial Statements:

Consolidated Balance Sheets -
September 30, 1999 and December 31, 1998 — 2

Consolidated Statements of Operations -
Three months and nine months ended September 30, 1999 and 1998 — 3

Consolidated Statements of Shareholders' Equity -
Nine months ended September 30, 1999 and 1998 — 4

Consolidated Statements of Cash Flows -
Nine months ended September 30, 1999 and 1998 — 5

Notes to Consolidated Financial Statements 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 8

Part II. Other Information

Item 6. Exhibits and reports on Form 8-K 17

Signature 18

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

(In thousands, except per share data)

	September 30, 1999	December 31, 1998
Cash, including short-term investments of $16,545 and $24,068	$ 23,035	$ 32,385
Investments:		
Bonds (cost: $149,520 and $98,286)	144,748	99,341
Common and preferred stocks (cost: $31,050 and $33,116)	53,148	61,007
Other invested assets (cost: $4,982 and $4,982)	4,988	4,822
Mortgage loans	3,790	3,851
Policy and student loans	3,145	4,268
Real estate	46	46
Total investments	209,865	173,335
Receivables:		
Reinsurance	38,138	22,772
Other (net of allowance for bad debts: $1,343 and $1,377)	26,415	18,912
Deferred acquisition costs	19,230	16,881
Other assets	4,704	4,225
Goodwill	23,559	4,339
Total assets	$344,946	$272,849

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30, 1999	December 31, 1998
Insurance reserves and policy funds:		
Future policy benefits	$39,760	$38,912
Unearned premiums	30,132	22,971
Losses and claims	125,749	86,768
Other policy liabilities	4,541	3,726
Total policy liabilities	200,182	152,377
Accounts payable and accrued expenses	14,468	12,255
Debt payable	51,000	26,000
Total liabilities	265,650	190,632
Commitments and contingencies Shareholders' equity:		
Preferred stock, $1 par, 4,000,000 shares authorized; Series B preferred, 134,000 shares issued and outstanding, $13,400 redemption value	134	134
Common stock, $1 par, 30,000,000 shares authorized; 21,404,060 shares issued in 1999 and 19,405,753 issued in 1998 and 21,027,886 shares outstanding in 1999 and 19,119,888 shares outstanding in 1998	21,414	19,406
Additional paid-in capital	55,962	50,406
Accumulated deficit	(13,833)	(15,213)
Accumulated other comprehensive income - unrealized investment gains, net	17,332	28,786
Treasury stock, at cost, 386,174 shares in 1999 and 285,865 shares in 1998	(1,713)	(1,302)
Total shareholders' equity	79,296	82,217
Total liabilities and shareholders equity	$344,946	$272,849

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

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Revenue:				
Insurance premiums	$29,587	$22,848	$77,300	$ 68,677
Investment income	3,371	2,825	9,105	8,466
Realized investment gains, net	181	1,093	1,660	2,005
Other income	297	29	687	198
Total revenue	33,436	26,795	88,752	79,346
Benefits and expenses:				
Insurance benefits and losses incurred	21,714	15,084	56,343	46,076
Commissions and underwriting expenses	8,149	6,715	21,567	20,436
Interest expense	928	545	1,858	1,660
Other	3,283	1,597	7,474	4,790
Total benefits and expenses	34,074	23,941	87,242	72,962
(Loss) income before income tax benefit (expense)	(638)	2,854	1,510	6,384
Income tax benefit (expense)	(49)	8	(93)	(124)
Net (loss) income	$ (687)	$ 2,862	$ 1,417	$ 6,260
Net (loss) income per common share (basic and diluted)	$ (.05)	$ .13	$ .03	$ .27
Weighted average common shares outstanding, basic	20,893	18,750	19,693	18,846
Weighted average common shares outstanding, diluted	21,057	19,035	20,022	19,141

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

ATLANTIC AMERICAN CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Nine Months Ended September	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Net Unrealized Investment Gains	Treasury Stock	Total
Balance, December 31, 1998	$ 134	$ 19,406	$ 50,406	$ (15,213)	$ 28,786	$ (1,302)	$ 82,217
Comprehensive income:							
Net income				1,417			1,417
Decrease in unrealized investment gains					(11,454)		(11,454)
Total comprehensive income							(10,037)
Stock issued for acquisition of Association Casualty		2,008	6,477				8,485
Dividends accrued on preferred stock			(905)				(905)
Purchase of shares for treasury						(602)	(602)
Issuance of shares for employee benefit plans and stock options			(16)	(37)		191	138
Balance, September 30,1999	$ 134	$ 21,414	$ 55,962	$ (13,833)	$ 17,332	$ (1,713)	$ 79,296
Nine Months Ended September 30, 1998							
Balance, December 31, 1997	$ 164	$ 18,921	$ 53,316	$ (23,653)	$ 29,498	$ (63)	$ 78,183
Comprehensive income:							
Net income				6,260			6,260
Increase in unrealized investment gains					467		467
Total comprehensive income							6,727
Cash dividends paid on preferred stock			(236)				(236)
Dividends accrued on preferred stock			(905)				(905)
Purchase of shares for treasury						(967)	(967)
Issuance of shares for employee benefit plans and stock options			(15)	(105)			(120)
Issuance of shares for acquisition of Self - Insurance Administrators, Inc.		15	51				66
Balance, September 30, 1998	$ 164	$ 18,936	$ 52,211	$ (17,498)	$ 29,965	$ (1,030)	$ 82,748

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

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Nine Months Ended September 30, 1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,417	$6,260
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of deferred acquisition costs	8,801	8,039
Acquisition costs deferred	(10,711)	(8,797)
Realized investment gains	(1,660)	(2,005)
Increase in insurance reserves	14,420	(644)
Depreciation and amortization	1,097	1,030
Increase in receivables, net	(11,857)	(4,373)
Decrease in other liabilities	(13)	(372)
Other, net	(278)	(442)
Net cash provided (used) by operating activities	1,216	(1,304)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investments sold or matured	34,450	50,924
Investments purchased	(50,363)	(69,479)
Additions to property and equipment	(547)	(333)
Acquisition of American Independent	197	-
Acquisition of Association Casualty	(18,836)	-
Bulk reinsurance transactions, net	-	552
Net cash provided (used) by investing activities	(35,099)	(18,336)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Preferred stock dividends	-	(236)
Proceeds from exercise of stock options	135	(55)
Purchase of treasury shares	(602)	(1,033)
Proceeds from bank financing	50,000	-
Repayments of debt	(25,000)	(2,600)
Net cash provided (used) by financing activities	24,533	(3,924)
Net decrease in cash and cash equivalents	(9,350)	(23,564)
Cash and cash equivalents at beginning of period	32,385	51,044
Cash and cash equivalents at end of period	$23,035	$27,480
Supplemental cash flow information:		
Cash paid for interest	$ 1,973	$1,630
Cash paid for income taxes	$ 131	$ 330

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

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

Note 1. Basis of presentation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. All significant intercompany accounts and transactions have been eliminated in consolidation. Operating results for the nine month period ended September 30, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

Note 2. Acquisition

On July 1, 1999, the Company acquired Association Casualty Insurance Company and its affiliate, Association Risk Management General Agency, Inc. together known as "Association Casualty". The Company's third quarter and nine-month results for the period ending September 30, 1999 include Association Casualty's results of operations since the date of acquisition. The acquisition has been accounted for using the purchase method of accounting. Total consideration paid for Association Casualty was approximately $32.5 million. The excess of the purchase price over the fair value of the net tangible and identifiable assets acquired was recorded as goodwill. The Company funded the transaction with a combination of borrowings under its credit facilities and the issuance of shares of common stock of the Company.

In connection with the acquisition of Association Casualty the following assets and liabilities were acquired:

Cash, short-term investments	$6,192
Other investments	30,276
Goodwill	19,830
Other assets	12,015
Total assets	68,313
Insurance reserves and policy funds	31,885
Other liabilities	1,494
Total liabilities	33,379
Net assets	$34,934

Note 3. Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement 133"Accounting for Derivative Instruments and Hedging Activities" SFAS 133). SFAS 133 provides a comprehensive and consistent standard for the recognition and measurement of derivatives and hedging activity. In June 1999, the FASB issued SFAS 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement 133". SFAS 137 defers the effective date of SFAS 133 to be effective for all fiscal quarters for all fiscal years beginning after June 15, 2000. The Company intends to adopt SFAS 133 on January 1, 2001. Management does not believe the adoption of SFAS 133 will have a material effect on the Company's financial condition or results of operations.

Note 4. Segment Information

The Company has four principal insurance subsidiaries which each focus on a specific geographic region and/or specific products. Each subsidiary is managed autonomously and is evaluated on its individual performance. The following summary sets forth each subsidiary's revenue and pretax income (loss) for the quarter and year-to-date periods.

Revenues

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
American Southern	$ 11,097	$ 9,623	$ 31,725	$ 29,791
Association Casualty	4,722	-	4,722	-
Georgia Casualty	5,455	6,180	16,666	18,954
Bankers Fidelity	12,050	9,858	35,055	29,236
Corporate and other	1,314	2,321	4,235	4,306
Adjustments and eliminations	(1,202)	(1,187)	(3,651)	(2,941)
Consolidated revenues	$ 33,436	$ 26,795	$ 88,752	$ 79,346

Income (loss) before income tax expense (benefit)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
American Southern	$ 1,822	$ 1,967	$ 4,465	$ 4,430
Association Casualty	399	-	399	-
Georgia Casualty	(2,261)	98	(2,191)	1,663
Bankers Fidelity	1,153	682	2,713	2,083
Corporate and other	(1,751)	107	(3,876)	(1,792)
Adjustments and eliminations	-	-	-	-
Consolidated results	$ (638)	$ 2,854	$ 1,510	$ 6,384

Note 5. Reconciliation of Other Comprehensive Income

	September 30, 1999	1998
Gain on sale of securities included in net income	$1,660	$2,005
Other comprehensive income:		
Net unrealized (loss) gain arising during year	(9,794)	2,472
Reclassification adjustment	(1,660)	(2,005)
Net unrealized (loss) gain recognized in other comprehensive income	$(11,454)	$467

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

The following is management's discussion and analysis of the financial condition and results of operations of Atlantic American Corporation ("Atlantic American" or the "Company") and its subsidiaries as of and for the periods ending September 30, 1999. This discussion should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Quarterly Report Form 10-Q and with the Consolidated Financial Statements of Atlantic American Corporation on Form 10-K for the year ended December 31, 1998.

Atlantic American is an insurance holding company whose operations are comprised of a group of regional or specialty insurance companies: American Southern Insurance Company and American Safety Insurance Company, together know as "American Southern"; Association Casualty Insurance Company and Association Risk Management General Agency, Inc. together known as "Association Casualty"; Georgia Casualty & Surety Company ("Georgia Casualty") ; and Bankers Fidelity Life Insurance Company ("Bankers Fidelity"). Each operating company is managed as an autonomous operation based upon the geographic location or the type of products it underwrites.

Overall Corporate Results

On a consolidated basis, the Company lost $687,000 for the third quarter or $0.05 per diluted share, compared to net income of $2.9 million or $0.13 per diluted share in the third quarter of 1998. For the nine months ended September 30, 1999 the Company had net income of $1.4 million, or $0.03 per diluted share, versus $6.3 million or $0.27 per diluted share for the comparable period in 1998. The loss for the quarter was primarily due to unsatisfactory underwriting results in Georgia Casualty. The Company also experienced a significant decrease in unrealized gains compared to strong realized gains last year. Excluding Georgia Casualty, all other operating units of the Company reported profitable results. The decline in net income for the year to date period is attributable to the same factors.

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

Underwriting Results

American Southern

The following is a summary of American Southern's premiums:

	Three months ended September 30,		Nine months ended September 30,	
	1999	1998	1999	1998
Gross written premiums	$ 8,472	$ 6,106	$ 36,107	$ 32,091
Ceded premiums	(2,103)	(1,303)	(4,666)	(4,505)
Net written premiums	$ 6,369	$ 4,803	$ 31,441	$ 27,586
Net earned premiums	$ 9,879	$ 8,472	$ 28,243	$ 26,439

Gross written premiums at American Southern increased $4.0 million during the nine months ended September 30, 1999 to $36.1 million, up from $32.1 million for the nine month period in 1998. For the quarter, gross premiums increased $2.4million to $8.5 million. The increase in premiums for both the quarter and the year to date period is primarily attributable to business provided by the joint venture that American Southern formed with the AAA of Carolinas Motor Club, American Auto Club Insurance Agency. American Southern holds a 50% interest in this joint venture and underwrites the majority of the standard automobile business written by the agency. This program, which began writing business in 1999, markets automobile insurance to the members of the automobile association. Gross written premiums for this program were $3.6 million for the nine months.

The following is a break out of earned premium by line of business:

	Three months ended September 30,		Nine months ended September 30,	
	1999	1998	1999	1998
Commerical automobile	$ 8,105	$ 6,564	$ 22,584	$ 21,232
General liabililty	980	1,121	3,278	2,913
Property	778	774	2,335	2,252
Other	16	13	46	42
Total all lines	$ 9,879	$ 8,472	$ 28,243	$ 26,439

In addition to the business written through the joint venture, American Southern produces much of its business through contracts with various states and municipalities, some of which represent significant amounts of revenue for the company. These contracts are periodically subject to competitive renewal quotes and the loss of a significant contract could have a material adverse effect on the business or financial condition of American Southern and of the Company. Specifically, one significant contract comes up for renewal in February 2000. American Southern is preparing a competitive quote for this business; however, given the competitive nature of the current insurance market place it is possible that other carriers may submit bid at unprofitable levels in order to obtain this business. American Southern has no intention of pricing its bids at an unprofitable level and as a result the potential exists that the company will not renew this program. In an effort to increase the number of programs underwritten by American Southern and to mitigate any such loss of business the company has hired a new marketing representative who is responsible for the development of new programs.

The following is a break out of the loss and expense ratio of American Southern.

	September 30,		September 30,	
	1999	1998	1999	1998
Loss ratio	66.0%	62.7%	70.2%	67.4%
Expense ratio	27.3%	27.1%	25.8%	28.1%
Combined ratio	93.3%	89.8%	96.0%	95.5%

The loss ratio for the nine months ended September 30, 1999 increased to 70.2% from 67.4% for the comparable period in 1998. The increase in the loss ratio is attributable to somewhat higher on existing accounts.

The increase in the loss ratio for the nine months ended September 30, 1999 was somewhat offset by a decrease in the expense ratio. The majority of American Southern's business is structured such that the agent is rewarded or penalized based upon the loss ratio of the business they submit to the company. By structuring its business in this manner American Southern provides its agents with an economic incentive to place profitable business with the company. As a result of this arrangement, in periods where losses and the loss ratio increase, the commission and underwriting expenses and the resulting expense ratio decrease. For the third quarter the expense ratio increased over the prior year as a result of higher commission expenses for business written in the third quarter.

Association Casualty

The results of both Association Casualty Insurance Company ("ACIC") and Association Risk Management General Agency, Inc. ("ARMGA") are included for the first time in the third quarter of 1999, and as a result comparable numbers are not presented. ACIC underwrites workers' compensation insurance in the state of Texas, and ARMGA provides general property and casualty agency services in Texas. The primary line of business for Association Casualty is workers' compensation although the Company intends to diversify the lines of business it writes.

The following is a summary of Association Casualty's premiums:

	Three months ended September 30, 1999
Gross written premiums	$ 4,670
Ceded premiums	(401)
Net written premiums	$ 4,269
Net earned premiums	$ 4,077

The premium production at Association Casualty was consistent with the Company's expectations. The insurance market in the State of Texas has become quite competitive, with many carriers entering the market and offering their products at prices that the company finds unacceptable. In keeping with the philosophy of the entire Atlantic American group of companies, rather than write business at levels that are expected to be unprofitable, Association Casualty chooses to not write such business. While such a decision might,at times, result in slow or even negative growth in premium volume, in the long run management believes that such practices are in the best interest of the Company and its policyholders and shareholders.

Gross written premiums for the quarter of $4.7 million were comprised primarily

of workers compensation business.

The following are the loss and expense ratio for Association Casualty:

	Three months ended September 30, 1999
Loss ratio	67.6%
Expense ratio	38.4%
Combined ratio	106.0%

During the current year, the loss ratio at Association Casualty has been adversely impacted by a liberal interpretation of the workers' compensation laws in the State of Texas. This factor coupled with increasing medical costs has raised the loss ratio to higher than historical levels. In reaction to both events, Association Casualty has tightened the company's underwriting standards.

The expense ratio for the quarter has been impacted by Association Casualty's efforts to become a multi-line insurance company. In addition to the expenses associated with preparing for the expansion of its business, Association Casualty has hired additional personnel in the underwriting and marketing departments.

Georgia Casualty

The following is a summary of Georgia Casualty's premiums:

	Three months ended September 30,		Nine months ended September 30,	
	1999	1998	1999	1998
Gross written premiums	$ 6,513	$ 6,168	$19,579	$18,737
Ceded premiums	(1,534)	(792)	(4,404)	(2,404)
Net written premiums	$ 4,979	$ 5,376	$15,175	$16,333
Net earned premiums	$ 5,014	$ 5,653	$14,353	$16,514

While gross written premiums for Georgia Casualty are up 4.5% for the nine months ended September 30 and 5.6% for the third quarter, the company has increased the amount of premium that it is ceding to its reinsurers resulting in a decline in net written premium of 7.1% for the year and 7.4% for the quarter. The increase in ceded premium is the result of a stop loss reinsurance contract that the company entered into in the second quarter of 1999. The stop loss reinsurance agreement is responsible for all losses, in the aggregate, in the 1999 accident year that fall between 55% and 75% of net earned premiums. Along with the cost of this reinsurance program, premiums for the year have been reduced as the result of the company terminating two underwriting programs: one for the poultry industry and one for short-haul truckers. These programs accounted for $807,000 in earned premium in 1999 compared to approximately $1.3 million in earned premium 1998.

Following is a break out of earned premium by line of business:

	Three months ended September 30, 1999	Three months ended September 30, 1998	Nine months ended September 30, 1999	Nine months ended September 30, 1998
Workers' compensation	$ 3,494	$ 3,814	$ 9,671	$10,806
Business automobile	686	902	2,182	2,874
Property	508	537	1,576	1,578
General liability	326	400	924	1,256
Total all lines	$ 5,014	$ 5,653	$14,353	$16,514

The loss ratio at Georgia Casualty increased to 108.7% for the quarter and 89.0% for the year. As previously discussed, Georgia Casualty has been adversely impacted by the results of two, now discontinued, underwriting programs. These two programs account for $1.4 million in losses or 4 points of the loss ratio. In addition to this, the wood related industry portfolio which has performed very well for Georgia Casualty in the past has had an abnormal number of large losses. We are aggressively instituting rate increases on this market sector. In addition to these two programs, during the third quarter, Georgia Casualty increased its overall reserves by $900,000 on its remaining business.

The expense ratio at Georgia Casualty has also increased over the prior year. The primary factor in this increase is the decline in premium, primarily due to the stop-loss treaty, for both the nine-month period and the quarter. In addition, Georgia Casualty has over the past 6 months made significant additions to its underwriting and management team. Beginning in 2000 it is expected that marketing being initiated by the new management team will result in additional business to Georgia Casualty to offset the additional costs associated with their addition to the company. However, the focus of management during 1999 has been on the current operations of Georgia Casualty.

The following are the loss and expense ratio's for Georgia Casualty:

	Three months ended September 30, 1999	Three months ended September 30, 1998	Nine months ended September 30, 1999	Nine months ended September 30, 1998
Loss ratio	108.7%	75.9%	89.0%	72.2%
Expense ratio	41.7%	31.7%	41.1%	32.5%
Combined ratio	150.4%	107.6%	130.1%	104.7%

Bankers Fidelity

The following is the break out of earned premium revenue for Bankers Fidelity:

	Three months ended September 30, 1999	Three months ended September 30, 1998	Nine months ended September 30, 1999	Nine months ended September 30, 1998
Medicare supplement	$ 6,614	$ 4,832	$ 18,784	$ 14,080
Other health	787	890	2,439	2,734
Life	3,216	3,001	9,404	8,910
Total premiums	$ 10,617	$ 8,723	$ 30,627	$ 25,724

Earned premium revenue at Bankers Fidelity is up 21.7% for the third quarter and 19.1% for the nine months ended September 30, 1999. The majority of this increase has been in the Medicare supplement business, which is up 36.9% for the quarter and 33.4% for the year to date period. This increase has come from a focused marketing campaign over the past two years as well as the opening up of a new region in the beginning of 1999. During 1999 Bankers Fidelity has also increased its focus on its life insurance products and as a result the company has generated an increase in this line of 7.2% for the quarter and 5.5% for the nine months ended September 30, 1999.

Insurance benefits and losses at Bankers Fidelity increased 27.4% for the quarter and 28.3% for the year to date period. This increase in insurance benefits and losses is primarily attributable to the increase in premium volume. In addition the loss ratio has been impacted by the timing of the approval by various states of rate increases, principally on the company's Medicare supplement business. As a percentage of premium income this represents an increase from 62.8% to 65.7% for the quarter and from 63.6% to 68.5% for the year to date period.

Commission expense for the quarter increased 16.7%, for the nine-month period commission expense is up 12.9%. The increase in commission expense is also attributable to the increase in premium volume; however, as a percent of premium commission expense is down from 16.8% for the nine month period in 1998 to 15.9% for the comparable period in 1999. For the quarter this ratio is down from 16.3% in 1998 to 15.6% in 1999. This decline is principally the result of a reduction in commission rates on several of the company's primary health products.

General expenses at Bankers Fidelity are up only 1.0% for the quarter but 10.2% for the year. As a percentage of premium volume this represents a decline from 27.5% to 25.4% for the year and from 27.4% to 24.3% for the quarter. The decline in this ratio is attributable to an effort to streamline the operations of Bankers Fidelity. This is an ongoing effort that has to date yielded approximately $1.0 million dollars in annualized savings.

Investment Income and Realized Gains

Investment income for the quarter increased 19.3% or $546,000, principally from the inclusion of Association Casualty which contributed $495,000 to investment income during the quarter. For the nine months ended September 30, 1999 investment income increased 7.5%. The Company has continued to move investments from short-term to longer term, higher yielding investments, particularly government agency and other highly rated bonds. Invested assets increased from $173.3 million at the end of 1998 to $207.4 million at September 30, 1999. Of this increase $25.9 million is attributable to the inclusion of Association Casualty; the remaining increase has come principally from the investment of short-term funds as discussed previously.

Realized gains for the third quarter were $181,000 compared to $1.1 million in the third quarter of 1998. The management of the Company continually evaluates the Company's investment portfolio and when opportunities arise will divest appreciated investments. During the third quarter of 1999, given the increase in interest rates and the general decline in the stock market, the Company saw fewer opportunities for such divestitures.

Interest Expense

Interest expense for the third quarter increased significantly over the third quarter of 1998. In conjunction with the acquisition of Association Casualty, the Company entered into a $30.0 million revolving credit facility with Wachovia Bank, N.A. To date the Company has drawn down $26 million dollar on this facility. This, coupled with the $25 million variable rate demand bonds entered into during the second quarter, the proceeds of which were used to pay down the Company's prior credit facility, bring the total debt of the Company to $51.0 million, up from $26.0 million at the end of 1998. The interest rate on both the revolver and the bonds is variable and is tied to 30 day LIBOR.

Other Expenses and Taxes

The increase in other operating expenses during the quarter, and for the nine month period, is attributable to the inclusion of Association Casualty in the third quarter results. In addition, in 1999 the Company has incurred a non-recurring expense associated with the hiring of a consulting group to assist the Company in streamlining its operations. The contract with the consultants runs into the fourth quarter of 1999 and will not recur in 2000.

The Company's tax provision for the quarter increased over the provision for the third quarter of 1998 due to an unusual adjustment in 1998 relating to American

Independent Life Insurance Company.

LIQUIDITY AND CAPITAL RESOURCES

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

The Company's insurance subsidiaries reported a combined statutory income of $3.0 million for the first nine months of 1999 compared to statutory net income of $6.3 million for the first nine months of 1998. Total statutory net income for the quarter was $945 thousand compared to $2.4 million in 1998. The reasons for the decrease in statutory earnings in the first nine months of 1999 are the same as those discussed in "Results of Operations" above. Statutory results differ from the results of operations under generally accepted accounting principles ("GAAP") for the Casualty Division due to the deferral of acquisition costs. The Life and Health Division's statutory results differ from GAAP primarily due to deferral of acquisition costs, as well as different reserving methods.

The Company has one series of preferred stock outstanding, substantially all of which is held by affiliates of the Company's chairman and principal shareholders. The outstanding shares of Series B Preferred Stock ("Series B Stock") have a stated value of $100 per share, accrue annual dividends at a rate of $9.00 per share, in certain circumstances may be convertible into an aggregate of approximately 3,358,000 shares of common stock, and are redeemable at the Company's option. The Series B Stock is not currently convertible. At June 30, 1999, the Company had accrued, but unpaid dividends on the Series B Stock totaling $3.0 million.

On June 24, 1999, the Company issued $25.0 million in Taxable Variable Rate Demand Bonds, Series 1999 ("the Bonds") to replace the Company's existing bank facility. The bonds will mature on July 1, 2009 and pay a variable interest rate that approximates 30-day LIBOR. The bonds are backed by a Letter of Credit issued by Wachovia Bank, N.A. The cost of the Letter of Credit and its associated fees are 180 basis points, making the effective cost of the bonds LIBOR plus 180 basis points (currently approximately 7.0%). In connection with issuing the Bonds, the Conmpany repaid and terminated its existing credit facility, which provided for a term loan with an interest rate of prime less 50 basis points and would have matured December 31, 2000.

On July 1, 1999, the Company entered into a $30.0 million revolving credit facility with Wachovia Bank, N.A. to finance a portion of its acquisition of Association Casualty. The revolver has a five year term and requires no principal payments until maturity. The interest rate on the revolver is 30-day LIBOR plus 200 basis points (currently approximately 5.43%). To date the Company has drawn down $26.0 million of the available facility.

The Company provides certain administrative and other services to each of its insurance subsidiaries. The amounts charged to and paid by the subsidiaries in the first six months of 1999 increased slightly over the first six months of 1998. In addition, the Company has a formal tax-sharing agreement between the Company and its insurance subsidiaries. It is anticipated that the tax-sharing agreement will provide the Company with additional funds from profitable subsidiaries due to the subsidiaries' use of the Company's tax loss carryforwards, which totaled approximately $39.0 million at June 30, 1999.

At September 30, 1999, the Company had a net cumulative deferred tax asset of zero. The net cumulative deferred tax asset consisted of approximately $19.0 million of deferred tax assets, offset by approximately $11.9 million of deferred tax liabilities, and a $7.1 million valuation allowance. Due to the uncertain nature of their ultimate realization, based upon past performance and expiration dates, the Company has established a full valuation allowance against these carryforward benefits and recognizes the benefits only as reassessment demonstrates they are realizable. The Company's ability to generate taxable income from operations is dependent upon various factors, many of which are beyond management's control. Accordingly, there can be no assurance that the Company will generate future taxable income based on historical performance. Therefore, the realization of the deferred tax assets will be assessed periodically based on the Company's current and anticipated results of operations.

Over 90.0% of the investment assets of the insurance subsidiaries are in marketable securities that can be converted into cash, if required; however, use of such assets by the Company is limited by state insurance regulations. Dividend payments to the Company by its insurance subsidiaries are limited to the accumulated statutory earnings of the individual insurance subsidiaries, subject to annual limitations. At September 30, 1999, Georgia Casualty had $12.8 million of accumulated statutory earnings, American Southern had $20.6 million

of accumulated statutory earnings, Association Casualty had $13.7 million of accumulated statutory earnings, and Bankers Fidelity had $25.4 million of accumulated statutory earnings.

Net cash provided by operating activities was $1.2 million in the first nine months of 1999 compared to net cash used by operating activities of $1.3 million in the first nine months of 1998. Cash and short-term investments decreased from $32.4 million at December 31, 1998, to $23.0 million at September 30, 1999, mainly due to an increase in longer-term investments. Total investments (excluding short-term investments) increased to $209.9 million due in part to the shift from short-term investments as well as the acquisition of Association Casualty.

The Company has in place a stock repurchase program, pursuant to which the Company acquires shares of the Company's outstanding common stock from time to time based upon prevailing market conditions. The acquired shares are held as treasury shares and are generally used to meet the Company's obligations to its various stock-based employee benefit programs. During the first nine months of 1999, approximately 146,000 shares were purchased by the Company pursuant to the stock repurchase program. The Company is currently authorized to acquire up to 620,000 additional shares of common stock.

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

YEAR 2000

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

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

The Company's program to assess and remediate its internal systems (which include both hardware and software) is virtually complete. The Company has identified four critical operating systems that require the highest level and priority of testing to ensure that performance is not adversely affected by the Year 2000 issue. At the end of 1998, the Company had completed all scheduled modifications to its systems to appropriately address the Year 2000 issue. Initial testing of these systems has been completed and the Company is currently running on these modified systems. Additional testing has continued through the first nine months of 1999. To date, the Company has been able to remediate its systems through upgrades, rather than system replacement. The failure of any of those systems as a result of the Year 2000 issue would inhibit the Company's ability to conduct its business and process claims, and would likely have a material adverse effect on the Company's results of operations. The Company is also continuing to test less critical information systems and systems with embedded microprocessors for compliance. The Company has developed contingency plans to enable the Company to fulfill the functions performed by those systems in the event of failure.

While the Company believes it is taking every precaution to address the Year 2000 issue, some uncertainty remains. The Company cannot control the activities of its third party vendors, and the Company may have failed to identify and remediate all of its systems or may otherwise encounter unanticipated problems related to the Year 2000 issue.

As a result, management cannot determine whether or not Year 2000 related problems that could arise would have a material impact on the Company's financial condition or results of operations.

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

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

FORWARD-LOOKING STATEMENTS

This report contains and references certain information that constitutes forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Those statements, to the extent they are not historical facts, should be considered forward-looking and subject to various risks and uncertainties. Such forward-looking statements are made based upon management's assessments of various risks and uncertainties, as well as assumptions made in accordance with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The Company's actual results could differ materially from the results anticipated in these forward-looking statements as a result of such risks and uncertainties, including those identified in the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 1998 and the other filings made by the Company from time to time with the Securities and Exchange Commission.

PART II. OTHER INFORMATION

Item 6. Exhibits and Report on Form 8-K

(a) The following exhibits are filed herewith
Exhibit 11
Exhibit 27 - Financial Data Schedule

(b)(1) On July 16, 1999, the Company filed a report on Form 8-K, reporting under Item 5 the acquisition of Association Casualty Insurance Company and Association Risk Management General Agency.

(b)(2) On September 14, 1999, the Company filed a report Form 8-K/A, amending Item 7 of the Form 8-K filed on July 16, 1999 to include the financial statements and other financial information relating to the Company's acquisition of Association Casualty Insurance Company and Association Risk Management General Agency.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ATLANTIC AMERICAN CORPORATION
(Registrant)

Date: November 15, 1999

By: /S/
Vice President and Treasurer
(Principal Financial and
Accounting Officer)

EXHIBIT 11

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

(In thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Basic Earnings Per Common Share:				
Net income	(687)	2,862	1,417	6,260
Less preferred dividends to affiliates	(301)	(380)	(905)	(1,141)
Net income available to common shareholders	(988)	2,482	512	5,119
Weighted average common shares outstanding	20,893	18,750	19,693	18,846
Net (loss) income per common share (basic)	(.05)	.13	.03	.27
Diluted Earnings Per Common Share:				
Net income available to common shareholders	(988)	2,482	512	5,119
Weighted average common shares outstanding	20,893	18,750	19,693	18,846
Effect of dillutive stock options	164	285	329	295
Weighted average common shares outstanding adjusted for dilutive stock options for dilutive stock options	21,057	19,035	20,022	19,141
Net (loss) income per common share (diluted)	(.05)	.13	.03	.27
Common Shares Outstanding			21,028	18,719

7
1000
9-MOS
DEC-31-1999
SEP-30-1999
0
144748
144748
53148
3790
46
209865
23035
38138
19230
344946
125749
30132
44301
0
51000
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134
21414
57748
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77300
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93
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