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

For the Fiscal Year Ended December 31, 1999

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)

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 10, 2000, was $17,696,631. On March 10, 2000 there were 21,010,974 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, 1999 - Parts I, II and IV.

2. Portions of registrant's Proxy Statement for the Annual Meeting of Shareholders, to be held on May 2, 2000, have been incorporated in Items 10, 11, 12 and 13 of Part III of this Form 10-K.

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

The Company

Atlantic American Corporation, a Georgia corporation (the "Parent" or "Company") incorporated in 1968, is a holding company that operates through its subsidiaries in well-defined specialty markets of the life, health, property and casualty insurance industries. Atlantic American's principal subsidiaries are American Southern Insurance Company and American Safety Insurance Company (collectively known as "American Southern"), Association Casualty Insurance Company ("ACIC"), Georgia Casualty & Surety Company, ("Georgia Casualty") and Bankers Fidelity Life Insurance Company ("Bankers Fidelity").

On July 1, 1999 the Company, for an aggregate price of $33.0 million, acquired 100% of the outstanding stock of Association Casualty Insurance Company ("ACIC") and its affiliated agency, Association Risk Management General Agency, Inc. ("ARMGA"), both of which are domiciled in Texas. The acquisition of both companies was accounted for using the purchase method of accounting. Together ACIC and ARMGA are referred to as Association Casualty. In addition, on April 1, 1999 the Company merged American Independent Life Insurance Company ("American Independent") into Bankers Fidelity completing the consolidation of these two companies whose operations had been assimilated following the acquisition of American Independent in 1997.

The Company's strategy is to focus on well-defined geographic, demographic and/or product niches within the insurance market place. The underwriting function of each of the Company's subsidiaries operates with relative autonomy which allows for quick reaction to market opportunities. In addition, the Company seeks to develop and expand cross-selling opportunities and other synergies among its subsidiaries as they arise.

Casualty Operations

The Company's casualty operations are composed of three distinct entities, American Southern, Association Casualty and Georgia Casualty. The primary products offered by the casualty group are described below, followed by an overview of each company.

Workers' Compensation Insurance policies provide indemnity and medical benefits to insured workers for injuries sustained in the course of their employment.

Business Automobile Insurance policies provide for bodily injury and/or property damage liability coverage, uninsured motorists coverage, and physical damage coverage to commercial accounts.

General Liability Insurance policies cover bodily injury and property damage liability for both premises and completed operations exposures for general classes of business.

Property Insurance policies provide for payment of losses on real and personal property caused by fire and other multiple perils.

Personal Automobile Insurance polices provide for bodily injury and property damage liability coverage, uninsured motorists coverage, and physical damage coverage for individuals.

American Southern. American Southern provides tailored fleet automobile and long-haul physical damage insurance coverage, on a multi-year contract basis, to state governments, local municipalities and other large motor pools and fleets ("block accounts") that can be specifically rated and underwritten. The size of the block accounts insured by American Southern are such that individual class experience generally can be determined, which allows for customized policy terms and rates. American Southern produces business in 21 of the 24 states in the Southeast and Midwest in which it is authorized to conduct business. Additionally, American Southern provides personal automobile insurance to members of the Carolina Motor Club, an AAA affiliate. While the majority of American Southern's premiums are derived from auto liability and auto physical damage, American Southern also provides property, general liability and surety coverage.

The following table summarizes, for the periods indicated, the allocation of American Southern's net earned premiums for each of its principal product lines since its acquisition by the Company:

	Year Ended December 31, (in thousands)			
	1999	1998	1997	1996
Automobile Liability	$24,573	$23,396	$30,909	$30,889
Automobile Physical Damage	6,112	4,288	4,508	4,865
General Liability	4,302	4,291	3,116	1,947
Property	3,118	2,970	3,206	3,461
Surety	61	57	60	88
Total	$38,166	$35,002	$41,799	$41,250

Georgia Casualty. Georgia Casualty is a property-casualty insurance company which provides workers' compensation, commercial property, general liability and automobile insurance in the Southeastern United States.

While Georgia Casualty has historically written business in industries that are perceived to be high risk, it has recently begun to focus on diversifying its book of business. Currently, Georgia Casualty is targeting retail, light manufacturing, service, and other lower hazard risks. Georgia Casualty is licensed to do business in thirteen Southeastern states; however, historically it has focused its efforts on Georgia, Mississippi, and Northern Florida. Along with the diversification of its book of business, Georgia Casualty is in the process of expanding geographically, with added focus on the states of North Carolina, South Carolina, and Tennessee.

The following table summarizes, for the periods indicated, the allocation of Georgia Casualty's net earned premiums for each of its principal product lines:

	Year Ended December 31, (in thousands)				
	1999	1998	1997	1996	1995
Workers' Compensation	$13,157	$14,344	$ 12,841	$ 13,826	$14,954
Business Automobile	2,876	3,750	4,031	2,550	1,436
General Liability	1,251	1,619	1,387	1,152	1,025
Property	2,119	2,100	1,657	1,269	887
Total	$19,403	$21,813	$ 19,916	$ 18,797	$18,302

Association Casualty

Association Casualty Insurance Company along with Association Risk Management General Agency, Inc. currently offers workers compensation coverage in Texas. Following the July acquisition by Atlantic American, Association Casualty began the process of expanding the products it offers. Beginning in the second quarter of 2000, Association Casualty will begin offering general liability, property, and other commercial coverages to complement its existing book of workers'compensation business.

Since its acquisition by Atlantic American on July 1, 1999, Association Casualty has had net earned premiums of $8.5 million, of which 95.7% was workers' compensation business.

Bankers Fidelity

Bankers Fidelity, which constitutes the life and health operations of Atlantic American Corporation, offers a variety of life and supplemental health products with a focus on the senior and middle income markets. Products offered by Bankers Fidelity include: ordinary life, Medicare supplement, cancer, and other supplemental health insurance products. Medicare supplement, offered on both a standard and preferred basis, accounted for 62.2% of Bankers Fidelity's net premiums in 1999. Life insurance, including both whole and term life insurance policies, accounted for 30.1% of Bankers Fidelity's premiums in 1999. Bankers Fidelity also offers several of its products, both life and supplemental health, through payroll deduction services.

The following table summarizes, for the periods indicated, the allocation of Bankers Fidelity's net premiums earned for each of its principal product lines followed by a brief description of the principal products:

	Year Ended December 31, (in thousands)				
	1999	1998	1997	1996	1995
Life Insurance	$12,499	$11,748	$10,453	$10,240	$ 8,297
Medicare Supplement	25,822	19,743	12,534	11,560	11,882
Cancer, accident and other health	3,206	2,986	3,980	4,178	4,892
Total Accident and Health	29,028	22,729	16,514	15,738	16,774
Total Life and Accident and Health	$41,527	$34,477	$26,967	$25,978	$25,071

Life Products. Bankers Fidelity offers non-participating individual term and whole life insurance policies with a number of available riders and options.

Medicare Supplement. Bankers Fidelity currently markets 7 of the 10 standardized Medicare supplement policies created under the Omnibus Budget Reconciliation Act of 1990 ("OBRA 1990") which are designed to provide insurance coverage for certain expenses not covered by the Medicare program, including copayments and deductibles.

Cancer, Accident & Other Health Coverages. Bankers Fidelity offers several policies providing for payment of benefits in connection with the treatment of diagnosed cancer, as well as a number of other policies including convalescent care, accident expense, hospital/surgical and disability.

Marketing

Casualty Operations

American Southern. American Southern's business is marketed through a small number of specialized, experienced independent agents. Most of American Southern's agents are paid a moderate up-front commission with the potential for additional commission by participating in a profit sharing arrangement that is directly linked to the profitability of the business generated. In addition, a significant portion (approximately 50.3% of total written premium in 1999) of American Southern's premiums are assumed from third parties. In arrangements similar to those with its agents, the premium assumed from these parties is adjusted based upon the profitability of the assumed business. During 1998, American Southern formed American Auto Club Insurance Agency, LLC in a 50/50 joint venture with the AAA Carolinas to market personal automobile insurance to the members of the automobile club. During 1999, the American Auto Club Agency produced $5.0 million of new premiums for American Southern.

Association Casualty. Association Casualty is represented by a field force of approximately 130 independent agents for the sale and distribution of its insurance products. Each agency is a party to a standard agency contract that sets forth the commission structure and other terms and can be terminated by either party. Marketing efforts are handled by an experienced staff of insurance professionals.

Georgia Casualty. Georgia Casualty is represented by a field force of approximately 105 independent agents for the sale and distribution of its insurance products. Each agency is a party to a standard agency contract that sets forth the commission structure and other terms and can be terminated by either party upon thirty days written notice. Georgia Casualty also offers a contingent profit-sharing arrangement that allows the most profitable agents to earn additional commissions when specific loss experience and premium growth goals are achieved. Marketing efforts, directed by experienced marketing professionals, are complemented by the underwriting, risk management, and audit staffs of Georgia Casualty, who are available to assist agents in the presentation of all insurance products and services to their insureds. Georgia Casualty has also begun marketing programs that include endorsements from trade organizations and business franchises.

Bankers Fidelity

Bankers Fidelity markets its policies through commissioned, independent agents. In general, Bankers Fidelity enters 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 written notice. General agents receive an override commission on sales made by agents contracted by them. Management believes utilizing direct writing, experienced agents, as well as independent general agents who recruit and train their own agents, is cost effective. All independent agents are compensated on a pure commission basis. Using independent agents also enables Bankers Fidelity to expand or contract their sales forces at any time without incurring significant additional expense.

Bankers Fidelity has implemented a selective agent qualification process and had 2,830 licensed agents in 1999. The agents concentrate their sales activities in either the accident and health or life insurance product lines. During 1999, a total of 1,513 agents wrote policies on behalf of Bankers Fidelity.

Products of Bankers Fidelity compete directly with products offered by other insurance companies, as agents may represent several insurance companies. Bankers Fidelity, in an effort to motivate agents to market their products, offers the following agency services: a unique lead system, competitive products and commission structures, efficient claims service, prompt payment of commissions, simplified policy issue procedures, periodic sales incentive programs and, in some cases, protected sales territories consisting of counties and/or zip codes. Additionally, Bankers Fidelity has a staff of 19 employees whose primary function is to facilitate the activities of the agents and to act as liaisons between the agents and Bankers Fidelity.

The company utilizes a distribution sales system which is centered around a lead generation plan that rewards qualified agents with leads in accordance with monthly production goals. In addition, a protected territory is established for each qualified agent, which entitles them to all leads produced within that territory. The territories are zip code or county based and encompass enough physical territory to produce a minimum senior population of 12,000. To allow for the expense of lead generation, commissions were lowered on Bankers Fidelity's senior citizen life plans. In addition, Bankers Fidelity recruits at a general agent level rather than at a managing general agent level in an effort to reduce commission expenses further.

The Company believes this distribution system solves an agent's most important dilemma -- prospecting -- and allows Bankers Fidelity to build long-term relationships with individual producers who view Bankers Fidelity as their primary company. In addition, management believes that Bankers Fidelity's product line is less sensitive to competitor pricing and commissions because of the perceived value of the protected territory and the lead generation plan. Through this distribution channel, production per agent contracted increased substantially when compared to Bankers Fidelity's general brokerage division.

Underwriting

Casualty Operations

American Southern specializes in the handling of block accounts such as states and municipalities that generally are sufficiently large to establish separate class experience, relying upon the underwriting expertise of its agents. In contrast, Georgia Casualty and Association Casualty underwrite the majority of their accounts in-house.

During the course of the policy year, extensive use is made of risk management representatives to assist underwriters in identifying and correcting potential loss exposures and to pre-inspect the majority of the new accounts that are underwritten. The results of each product line are reviewed on a stand-alone basis. When the results are below expectations, management takes appropriate corrective action which may include raising rates, reviewing underwriting standards, reducing commissions paid to agents, altering or declining to renew accounts at expiration, and/or terminating agencies with an unprofitable book of business.

American Southern also acts as a reinsurer with respect to all of the risks associated with certain automobile policies issued by state administrative agencies, naming the state and various local governmental entities as insureds. Premiums written from such policies constituted $22.1 million of American Southern's gross premiums written in 1999. For 1999, premiums assumed of $24.9 million, in 1999 include a single state contract of $15.1 million. Management believes that its relationship with all of its state agency customers is good; however, the loss of any one agency as a customer could potentially have a material adverse effect on the business or financial condition of the company.

Bankers Fidelity

Bankers Fidelity issues a variety of products including single and multiple premium life insurance policies with face amounts of not less than $1,000. All life insurance policies are fully underwritten, but the majority are issued with limited medical examinations subject to maximum policy limits ranging from $100,000 for persons under age 31 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. Paramedical examinations are ordered at age 41 for all life applications of $50,000 and above. Approximately 95% of the net premiums earned for life insurance sold during 1998 were derived from life insurance written below Bankers Fidelity's medical limits. For the senior market, Bankers Fidelity issues 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. Bankers Fidelity only retains a maximum amount of $50,000 with respect to any individual life (see "Reinsurance").

Applications for insurance are reviewed as to the applicant's age and medical history and depending upon this information, additional information may be requested including the "Medical Information Bureau Report", medical examinations, statements from doctors, and, where indicated, special medical tests. If deemed necessary, Bankers Fidelity uses investigative services to supplement and substantiate information. For certain limited coverages, Bankers Fidelity has 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 presenting the applicant's complete medical history. At present, approximately 20% to 30% of the senior citizen life applications, through age 79 on the standard product and up to age 75 on the preferred, are verified by telephone. For ages 80 and above, 100% of the standard applicants are verified. All telephone verifications are made by the underwriting department. Applications not meeting the underwriting criteria are declined or additional information is requested.

Policyholder and Claims Services

The Company believes that prompt, efficient policyholder and claims services are essential to its continued success in marketing its insurance products (see "Competition"). Additionally, the Company believes that its insureds are particularly sensitive to claim processing time and to the accessibility of qualified staff to answer inquiries. Accordingly, the Company's policyholder and claims services include expeditious disposition of service requests by providing toll-free access to all customers, 24-hour claim reporting services, and direct computer links with some of its largest accounts. The Company also utilizes a state-of-the-art automatic call distribution system to insure timely response. Inbound calls to customer service support groups are processed efficiently. Operational data generated from this system allows management to further refine ongoing client service programs and service representative training modules.

The Company supports a Customer Awareness Program as the basis for its customer service philosophy. All personnel are required to attend customer service classes. Hours have been expanded in all service areas to serve customers and agents in all time zones.

Casualty Operations

American Southern, Association Casualty, and Georgia Casualty control their claims costs by utilizing an in-house staff of claim supervisors to investigate, verify, negotiate and settle claims. Upon notification of an occurrence purportedly giving rise to a claim, the claims department conducts a preliminary investigation, determines whether an insurable event has occurred and, if so, records the claim. The companies frequently utilize independent adjusters and appraisers to service claims which require on-site inspections.

Bankers Fidelity

Insureds obtain claim forms by calling the claims department customer service group. To shorten claim processing time, a letter detailing all supporting documents that are required to complete a claim for a particular policy is sent to the customer along with the correct claim form. With respect to life policies, the claim is entered into Bankers Fidelity's claims system when the proper documentation is received. Properly documented claims are generally paid within three to nine business days of receipt.

Reserves

The following table sets forth information concerning the Company's losses and claims and loss adjustment expenses ("LAE") reserves for the periods indicated:

	1999	1998
Balance at January 1	$86,768	$86,721
Less: Reinsurance recoverables	(22,625)	(24,006)
Net balance at January 1	64,143	62,715
Incurred related to:		
Current year	73,056	63,030
Prior years	3,246	(2,606)
Total incurred	76,302	60,424
Paid related to:		
Current year	44,623	35,566
Prior years	27,959	23,430
Total paid	72,582	58,996
Reserves acquired due to acquisition	19,934	-
Net balance at December 31	87,797	64,143
Plus: Reinsurance recoverables	38,759	22,625
Balance at December 31	$126,556	$86,768

Casualty Operations

Atlantic American Corporation's Casualty Operations maintain loss reserves representing estimates of amounts necessary for payment of losses and LAE. The Casualty Operations also maintain incurred but not reported reserves and bulk reserves for future development. These loss reserves are estimates, based on known facts and circumstances at a given point in time, of amounts the insurer expects to pay on incurred claims. All balances are reviewed annually by qualified independent actuaries. Reserves for LAE are intended to cover the ultimate costs of settling claims, including investigation and defense of lawsuits resulting from such claims. Loss reserves for reported claims are 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; however, it is difficult to measure the effect of any one of these considerations on reserve estimates.

The Casualty Operations establish reserves for 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 LAE. 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 become known.

The table on the following page sets forth the development of balance sheet reserves for unpaid losses and LAE for the Casualty Operations' insurance lines for 1989 through 1999, including periods prior to the Company's ownership of American Southern and Association Casualty. 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 for each of the indicated periods, 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 amounts of previously recorded reserves 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 redundancy or deficiency" for each year represents the aggregate change in such year's estimates through the end of 1999. In evaluating this information, it should be noted that the amount of the redundancy or 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 reserves in the past may not necessarily occur in the future. Accordingly, it is inappropriate to predict future redundancies or deficiencies based on the data in this table.

	Year Ended December 31, (in thousands)										
	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Statutory reserve for losses and LAE	$82,867	$78,320	$ 78,444	$ 74,115	$70,470	$65,970	$64,211	$59,720	$59,354	$59,720	$57,056(1)
Cumulative paid as of:											
One year later		26,454	24,247	25,445	29,538	18,133	24,247	22,478	24,964	26,624	24,523
Two years later			35,534	34,409	39,084	34,485	30,754	34,055	36,123	40,339	38,694
Three years later				39,579	43,597	39,091	42,480	36,757	42,980	46,301	47,086
Four years later					46,334	40,885	45,530	46,676	44,153	50,767	50,275
Five years later						42,551	46,805	49,082	53,079	50,607	53,115
Six years later							48,012	50,206	55,146	58,347	51,890
Seven years later								51,244	56,069	60,032	59,598
Eight years later									57,014	60,552	60,890
Nine years later										61,390	61,398
Ten years later											62,200
Ultimate losses and LAE reestimated as of:											
End of Year	82,867	78,320	78,444	74,115	70,470	65,970	64,211	59,720	59,354	61,279	57,056 (1)
One year later		74,985	68,338	67,772	70,778	56,945	61,054	58,371	61,705	61,335	61,256
Two years later			65,374	60,257	65,716	59,266	54,329	56,072	60,324	63,649	62,241
Three years later				58,693	61,121	57,047	60,145	50,916	59,397	63,258	63,466
Four years later					61,085	53,995	60,381	60,701	55,503	63,279	63,062
Five years later						54,732	58,217	61,685	65,761	60,233	63,757
Six years later							59,280	60,606	66,822	70,041	60,992
Seven years later								61,796	65,696	70,592	70,576
Eight years later									66,604	69,304	71,258
Nine years later										70,594	69,876
Ten years later											71,514
Cumulative redundancy(deficiency)	$	3,335	$ 13,070	$ 15,422	$ 9,385	$11,238	$ 4,931	$ (2,076)	$(7,250)	$(9,315)	$(14,458)
		4.3%	16.7%	20.8%	13.3%	17.0%	7.7%	-3.5%	-12.2%	-15.2%	-25.3%

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

Bankers Fidelity

Bankers Fidelity establishes future policy benefits reserves to meet future obligations under outstanding policies. These reserves are calculated to satisfy 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, 1999).

Reinsurance

The insurance subsidiaries purchase reinsurance from unaffiliated insurers and reinsurers to reduce their 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 policies to a reinsurer. 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 incurs a loss if the reinsurer fails to meet its obligations under the reinsurance agreement.

Casualty Operations

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 generally maintained as follows: for fire, inland marine, and commercial automobile physical damage, recovery of losses over $40,000 up to $130,000. Net retentions for third party losses are generally over $35,000 up to $100,000. Catastrophe coverage for all lines except third party liability is for 95% of $6.6 million over $400,000.

Association Casualty. Association Casualty retains not more than the first $300,000 in losses on its workers' compensation policies, losses in excess of this limit are reinsured.

Georgia Casualty. Georgia Casualty's basic treaties cover all claims in excess of $200,000 per person, per occurrence on casualty losses, and per risk on property losses, up to $10.0 million per casualty claim and $3.0 million per property claim. An excess catastrophe treaty provides coverage up to statutory limits for any one occurrence on workers' compensation. The property lines of coverage are protected with an excess of loss treaty which affords recovery for property losses in excess of $250,000 up to a maximum of $3.0 million. Facultative arrangements are in place for property accounts with limits in excess of $3.0 million per risk. During 1999, Georgia Casualty entered into a stop loss reinsurance program for all losses in the 1999 accident year that, in the aggregate, fall between 55% and 75% of the net earned premiums, before the impact of the premium ceded under the treaty.

Bankers Fidelity

Bankers Fidelity has entered into reinsurance contracts ceding the excess of their retention to several primary reinsurers. Maximum retention by Bankers Fidelity on any one individual in the case of life insurance policies is $50,000. At December 31, 1999, Bankers Fidelity's reinsured annualized premiums totaled $26.8 million of the $281.6 million of life insurance then in force, generally under yearly renewable term agreements. Certain reinsurance agreements that are no longer active for new business remain in force.

Competition

Casualty Operations

American Southern. 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. Management believes, however, that the policies it sells are competitive with those providing similar benefits offered by other insurers doing business in the states where American Southern operates.

Association Casualty. As a monoline writer of workers' compensation insurance, Association Casualty's biggest competition comes from carriers that can provide insureds with all of their commercial insurance needs. In addition, the State of Texas, operates a state workers' compensation pool that competes directly with the carriers in the state. Association Casualty counters these competitive issues by offering high quality service. Additionally, Association Casualty anticipates beginning to write additional commercial coverages in the second quarter of 2000 in an effort to make itself more competitive.

Georgia Casualty. Georgia Casualty's insurance business is highly competitive.The competition can be placed in four categories: (1) companies with higher A.M. Best ratings, (2) alternative workers' compensation markets, (3) self-insured funds, and (4) insurance companies that actively solicit monoline workers' compensation accounts. Georgia Casualty's efforts are directed in the following three general categories where the company has the best opportunity to control exposures and claims: (1) manufacturing, (2) artisan contractors, and (3) service industries. Management believes that Georgia Casualty's keys to being competitive in these areas are maintaining strong underwriting standards, risk management programs, writing workers' compensation coverages as part of the total insurance package, maintaining and expanding its loyal network of agents and development of new agents in key territories. In addition, Georgia Casualty offers quality customer service to its agents and insureds, and provides rehabilitation, medical management, and claims management services to its insureds. Georgia Casualty believes that it will continue to be competitive in the marketplace based on its current strategies and services.

Bankers Fidelity

The life and health insurance business is highly competitive and includes a large number of insurance companies, many of which have substantially greater financial resources. Bankers Fidelity believes 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, United American Insurance Corporation, and Standard Life of Oklahoma. Bankers Fidelity competes with other insurers on the basis of premium rates, policy benefits, and service to policyholders. Bankers Fidelity also competes 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. Bankers Fidelity believes that it competes effectively on the basis of policy benefits, services, and market expertise.

Rating

The following 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.

In 1999, for the first time, Atlantic American Corporation and its subsidiaries underwent a rating and review process by Standard & Poor's. As a result of the review, each of the Company's insurance subsidiaries was assigned a single "A-" counterparty credit and financial strength rating. This rating was affirmed in 2000 and now includes Association Casualty.

Each year A.M. Best Company, Inc. publishes Best's Insurance Reports ("Best's"), which include 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 compared to the industry in general.

American Southern. American Southern and its wholly-owned subsidiary, American Safety Insurance Company, are each currently rated "A-" (Excellent) by A.M.Best.

Association Casualty. Association Casualty maintains a rating of "A-" (Excellent) by A.M. Best.

Georgia Casualty. Georgia Casualty maintains a Best's rating of "B++" (Very Good).

Bankers Fidelity. Bankers Fidelity maintains a Best's rating of "B++" (Very Good).

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. Statutes 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 products 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 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, 1999, $ 16.2 million of securities were on deposit either directly with various state authorities or with third parties pursuant to various custodial agreements on behalf of Bankers Fidelity and the Casualty Operations.

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 has increased in recent years. The likelihood and amount of any future assessments cannot be estimated until an insolvency has occurred. For the last five years, the amount incurred by the Company was not material.

NAIC Ratios

The National Association of Insurance Commissioners (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 statements 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 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.

For the year ended December 31, 1999, American Southern, Association Casualty, and Bankers Fidelity were within the NAIC "usual" range for all 13 financial ratios. Georgia Casualty was outside the "usual" range on one ratio, the two-year overall operating ratio, primarily due to adverse development on prior year losses.

Risk-Based Capital

RBC is used by rating agencies and regulators as an early warning tool to identify weakly capitalized companies for the purpose of initiating further regulatory action. The RBC calculation determines the amount of Adjusted Capital needed by a company to avoid regulatory action. "Authorized Control Level Risk-Based Capital" ("ACL") is calculated; if a company's adjusted capital is 200% or lower than ACL, it is subject to regulatory action. At December 31, 1999, all of the Company's insurance subsidiaries substantially exceeded the RBC regulatory levels.

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 provides information on the Company's investments as of the dates indicated.

	December 31, 1999 Amount	Percent	1998 Amount	Percent	1997 Amount	Percent
(Dollars in thousands)						
Fixed maturities:						
Bonds:						
U.S. Government agencies and authorities	$ 106,816	48.3%	$ 86,535	43.9%	$ 76,701	38.6%
States, municipalities and political subdivisions	4,078	1.8	1,490	0.8	2,738	1.4
Public utilities	2,009	0.9	1,874	0.9	1,893	1.0
Convertibles and bonds with warrants attached	-	NIL	-	NIL	-	NIL
All other corporate bonds	21,015	9.5	9,442	4.8	10,457	5.3
Certificates of deposit	3,082	1.4	2,286	1.2	395	0.2
Total fixed maturities(1)	137,000	61.9	101,627	51.6	92,184	46.5
Common and preferred stocks (2)	48,684	22.0	61,007	30.9	46,876	23.6
Mortgage, policy and student loans (3)	7,394	3.3	8,119	4.19	9,536	4.8
Other invested assets (4)	5,717	2.6	4,822	2.4	3,941	2.0
Real estate	46	NIL	46	NIL	46	NIL
Short-term investments (5)	22,471	10.2	21,782	11.0	46,167	23.1
Total investments	$ 221,312	100.0%	$ 197,403	100.0%	$198,750	100.0%

(1) Fixed maturities are carried on the balance sheet at market value. Total cost of fixed maturities was $143.2 million as of December 31, 1999, $100.6 million as of December 31, 1998, and $91.1 million as of December 31, 1997.

(2) Equity securities are valued at market. Total cost of equity securities was $31.2 million as of December 31, 1999, $33.1 million as of December 31, 1998, and $18.4 million as of December 31, 1997.

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

(4) Investments in other invested assets which are traded are valued at estimated market value; all others are carried at historical cost. Total cost of other invested assets was $4.9 million as of December 31, 1999 and $5.0 million as of December 31, 1998.

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

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

	Year Ended December 31, 1999	1998	1997
	(Dollars in thousands)		
Average investments(1)	$205,387	$ 199,132	$187,408
Net investment income	$ 12,587	$ 11,167	$ 10,916
Average yield on investments	6.13%	5.6%	5.8%
Realized investment gains, net	$ 2,831	$ 2,909	$ 1,076

(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.

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

Employees

The Company and its subsidiaries at December 31, 1999 employed 234 people.

Financial Information By Industry Segment

Financial information concerning the Company and its consolidated subsidiaries by industry segment for the three years ended December 31, 1999, is set forth on page 23 of the 1999 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 set forth, for each executive officer of the Company as of December 31, 1999, his name, age, positions with the Company, principal occupation, and business experience for the past five years and prior service with the Company (based upon information supplied by each of them).

Name	Age	Position with the Company	Director or Officer Since
J. Mack Robinson	76	Chairman of the Board	1974
Hilton H. Howell, Jr.	38	Director, President & CEO	1992
Edward L. Rand, Jr.	33	Vice President & CFO	1998

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

Mr. Robinson has served as Director and Chairman of the Board since 1974 and served as President and Chief Executive Officer of the Company from September 1988 to May 1995. In addition, Mr. Robinson is a Director of Bull Run Corporation and Gray Communications Systems, Inc.

Mr. Howell has been President and Chief Executive Officer of the Company since May 1995, and prior thereto served as Executive Vice President of the Company from October 1992 to May 1995. He has been a Director of the Company since October 1992. Mr. Howell is the son-in-law of Mr. Robinson. He is also a Director of Bull Run Corporation and Gray Communications Systems, Inc.

Mr. Rand has served as Vice President and Chief Financial Officer of the Company since March 2000, and prior thereto he served as Vice President and Treasurer from May 1998 to March 2000. He also serves in the following capacities at subsidiaries of the Company, Treasurer of Self Insurance Administrators, Inc., Director of Georgia Casualty, Director of Association Casualty, and a Director of Bankers Fidelity Life Insurance Company. Prior to joining the Company in August 1997, he was Vice President and Controller of United Capitol Insurance Company.

Forward-Looking Statements

Certain of the statements and subject matters contained herein that are not based upon historical or current facts deal with or may be impacted by potential future circumstances and developments, and should be considered forward-looking and subject to various risks and uncertainties. Such forward-looking statements are made based upon management's belief, as well as assumptions made by and information currently available to management pursuant to "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such statements, and the discussion of such subject areas, involve, and therefore are qualified by, the inherent risks and uncertainties surrounding future expectations generally, and may materially differ from the Company's actual future experience involving any one or more of such subject areas. The Company has attempted to identify, in context, certain of the factors that it currently believes may cause actual future experience and results to differ from current expectations. The Company's operations and results also may be subject to the effect of other risks and uncertainties in addition to the relevant qualifying factors identified elsewhere herein, including, but not limited to, locality and seasonality in the industries to which the Company offers its products, the impact of competitive products and pricing, unanticipated increases in the rate and number of claims outstanding, volatility in the capital markets that may have an impact on the Company's investment portfolio, issue, the uncertainty of general economic conditions, and other risks and uncertainties identified from time to time in the Company's periodic reports filed with the Securities and Exchange Commission. Many of such factors are beyond the Company's ability to control or predict. As a result, the Company's actual financial condition, results of operations and stock price could differ materially from those expressed in any forward-looking statements made by the Company. Undue reliance should not be placed upon forward-looking statements contained herein. The Company does not intend to publicly update any forward-looking statements that may be made from time to time by, or on behalf of, the Company.

ITEM 2. PROPERTIES

Owned Properties. The Company owns two parcels of unimproved property consisting of approximately seven acres located in Fulton and Washington Counties, Georgia. At December 31, 1999, the aggregate book value of such properties was approximately $46,000.

Leased Properties. The Company (with the exception of American Southern, Association Casualty, and SIA, Inc.) leases space for its principal offices in an office building located in Atlanta, Georgia, from Delta Life Insurance Company, under leases which expire at various times from May 31, 2002 to July 31, 2005. Under the current terms of the leases, the Company occupies approximately 65,489 square feet of office space. Delta Life Insurance Company, the owner of the building, is controlled by J. Mack Robinson, Chairman of the Board of Directors and largest shareholder of the Company. The terms of the leases are believed by Company management 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 in a building located in Atlanta, Georgia. The lease term expires January 31, 2000. Under the terms of the lease, American Southern occupies approximately 17,014 square feet.Effective February 1, 2000, the company entered into an extension of its lease for a ten year period.

Association Casualty leases space for its principal offices in a building located in Austin, Texas. The lease term expires December 31, 2000. Under the terms of the lease, Association Casualty occupies 15,777 square feet and the remaining 3,136 square feet is subleased.

SIA, Inc. leases space for its principal offices in a building located in Stone Mountain, Georgia. The lease term expires December 31, 2003. Under the terms of the lease, SIA, Inc. occupies 1,787 square feet.

ITEM 3. LEGAL PROCEEDINGS

Litigation

From time to time, 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, 1999.

PART II

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

The Company's common stock is quoted on the Nasdaq National Market (Symbol: AAME). As of March 10, 2000, there were 5,040 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
1999		
1st quarter	$4 5/8	$315/16
2nd quarter	4 11/16	3 7/8
3rd quarter	4 1/8	2 3/8
4th quarter	2 15/16	2 1/4
1998		
1st quarter	$ 5 1/2	$4 5/8
2nd quarter	5 1/16	3 7/8
3rd quarter	5 1/4	4
4th quarter	4 15/16	3 5/8

The Company has not paid dividends to its common shareholders 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. Under the insurance code of the state of jurisdiction under which each insurance subsidiary operates, cumulative dividend payments to the Parent 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 principal insurance subsidiaries had the following accumulated statutory earnings and/or (deficits) as of December 31, 1999: Georgia Casualty - $16.7 million, American Southern - $29.4 million, Association Casualty - $16.0 million, Bankers Fidelity Life - $26.5 million. The Company has elected to retain its earnings to grow its business and does not anticipate paying cash dividends on its common stock in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data of Atlantic American Corporation and subsidiaries for the five year period December 31, 1999 is set forth on page 1 of the 1999 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 25 to 31 of the 1999 Annual Report to Shareholders and are incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth under the caption "Interest Rate and Market Risk" in the information incorporated by reference in Item 7 above, is incorporated by reference herein.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the Company and related notes are set forth on pages 10 to 25 of the 1999 Annual Report to Shareholders and are 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 sections entitled "Election of Directors", "Security Ownership of Management", "Section 16(a) Beneficial Ownership Compliance", "Executive Compensation", and "Certain Relationships and Related Transactions" contained in the Company's definitive proxy statement to be delivered in connection with the Company's Annual Meeting of Shareholders to be held May 2, 2000.

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

	Page Reference
Consolidated Balance Sheets as of December 31, 1999 and December 31, 1998	10*
Consolidated Statements of Operations for the Three Years ended December 31, 1999	11*
Consolidated Statements of Shareholders' Equity for the Three Years ended December 31, 1999	12*
Consolidated Statements of Cash Flows for the Three Years ended December 31, 1999	13*
Notes to Consolidated Financial Statements	14-25*
Report of Independent Public Accountants	32*

* The page references so designated refer to page numbers in the 1999 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 1999 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, 1999

III - Supplementary Insurance Information for the three years ended December 31, 1999

IV - Reinsurance for the three years ended December 31, 1999

VI - Supplemental Information concerning property-casualty insurance

operations for the three years ended December 31, 1999

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 - Restated and Amended Articles of Incorporation of the registrant [incorporated by reference to Exhibit 3.1 to the registrant's Form 10-Q for the fiscal quarter ended March 31, 1996].

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].

10.01 - 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].

10.02 - 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 10Q for the quarter ended June 30, 1993].

10.03 - 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 10Q for the quarter ended September 30, 1994].

10.04 - 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].

10.05 - 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].

10.06 - 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].

10.07* - 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].

10.08 - 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].

10.09 - 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].

10.10 - 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].

10.11 - 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].

10.12 - 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].

10.13 - Acquistion Agreement by and among Atlantic American Corporation, Association Casualty Insurance Company, Association Risk General Management Agency, Inc. and Harold K. Fischer, dated as of April 21, 1999 [incorporated by reference to Exhibit 2.1 to the registrant's Form 8-K dated July 16, 1999].

10.14 - Indenture of trust, dated as of June 24, 1999, by and between Atlantic American Corporation and The Bank of New York, as trustee [incorporated by reference to Exhibit 10.1 to the registrant's Form 8-K dated July 16, 1999].

10.15 - Reimbursement and Security Agreement, dated as of June 24, 1999, between Atlantic American Corporation and Wachovia Bank of Georgia, N.A. [incorporated by reference to Exhibit 10.3 to the registrant's Form 8-K dated July 16, 1999].

10.16 - Revolving Credit Facility, dated as of July 1, 1999, between Atlantic American Corporation and Wachovia Bank of Georgia, N.A. [incorporated by reference to Exhibit 10.3 to the registrant's Form 8-K dated July 16, 1999].

13.1 - Those portions of the registrant's Annual Report to Shareholders for year ended December 31, 1997, that are specifically incorporated by reference herein.

21.1 - Subsidiaries of the registrant.

23.1 - Consent of Arthur Andersen LLP, Independent Public Accountants.

27 - Financial Data Schedule

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].

(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

/s/
By:---------------------------------------
Edward L. Rand, Jr.
Vice President and Chief Financial Officer

Date: March 30, 2000

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 24, 2000
/s/ HILTON H. HOWELL, JR.	President, Chief Executive Officer and Director (Principal Executive Officer)	March 24, 2000
/s/ EDWARD L. RAND, JR.	Vice President and Chief Financial Officer	March 24, 2000
/s/ EDWARD E. ELSON	Director	March 24, 2000
/s/ SAMUEL E. HUDGINS	Director	March 24, 2000
/s/ D. RAYMOND RIDDLE	Director	March 24, 2000
/s/ HARRIETT J. ROBINSON	Director	March 24, 2000
/s/ SCOTT G. THOMPSON	Director	March 24, 2000
/s/ MARK C. WEST	Director	March 24, 2000
/s/ WILLIAM H. WHALEY, M.D.	Director	March 24, 2000
/s/ DOM H. WYANT	Director	March 24, 2000
/s/ HAROLD K. FISCHER	Director	March 24, 2000

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Atlantic American Corporation:

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in Atlantic American Corporation's 1999 Annual Report to Shareholders, incorporated by reference in this Form 10-K, and have issued our report thereon dated March 24, 2000. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The 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 basic 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.

/s/

ARTHUR ANDERSEN LLP

Atlanta, Georgia
March 24, 2000

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

ATLANTIC AMERICAN CORPORATION

(Parent Company Only)

BALANCE SHEETS

(in thousands)

ASSETS

	December 31, 1999	December 31, 1998
Current assets:		
Cash and short-term investments	$ 1,030	$ 130
Investment in insurance subsidiaries	130,926	110,587
Deferred income taxes, net	2,778	-
Other assets	1,543	1,884
	$136,277	$112,601

LIABILITIES AND SHAREHOLDERS' EQUITY

	1999	1998
Current liabilities:		
Current portion of long-term debt	$ -	$2,400
Other payables	6,325	4,320
Total current liabilities	6,325	6,720
Income taxes payable to subsidiaries	3	64
Long-term debt	51,000	23,600
Shareholders' equity	78,948	82,217
	$136,277	$112,601

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 OPERATIONS

(in thousands)

	Year Ended December 31,		
	1999	1998	1997
REVENUE			
Fees, rentals and interest income from subsidiaries	$4,980	$4,230	$3,841
Distributed earnings from subsidiaries	5,706	7,054	11,209
Other	651	1,155	20
Total revenue	11,337	12,439	15,070
GENERAL AND ADMINISTRATIVE EXPENSES	8,441	6,407	5,305
INTEREST EXPENSE	2,819	2,146	2,902
	77	3,886	6,863
INCOME TAX BENEFIT (1)	8,963	1,703	1,862
	9,040	5,589	8,725
EQUITY IN UNDISTRIBUTED EARNINGS OF CONSOLIDATED SUBSIDIARIES, NET	1,870	2,969	(692)
Net income	$10,910	$8,558	$8,033

[FN]

(1)Under the terms of its tax-sharing agreement with its subsidiaries, income tax provisions for the individual companies are computed on a separate company basis. Accordingly, the Company's income tax benefit results from the utilization of the parent company separate return loss to reduce the consolidated taxable income of the Company and its subsidiaries.

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,		
	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 10,910	$ 8,558	$ 8,033
Adjustments to reconcile net income to net cash provided by operating activities:			
Realized investment gains	(239)	(1,151)	-
Depreciation and amortization	599	670	591
Equity in undistributed earnings of consolidated subsidiaries	(1,870)	(2,969)	692
Change in inter-company taxes	(60)	201	(715)
Deferred income tax benefit	(6,997)	-	-
Increase (decrease) in other liabilities	798	(11)	(157)
Other, net	186	186	(245)
Net cash provided by operating activities	3,327	5,484	8,199
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of Association Casualty	(24,475)	-	-
Capital contribution to Georgia Casualty	(2,000)	-	-
Additions to property and equipment	(446)	(305)	(536)
Net cash used in investing activities	(26,921)	(305)	(536)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of bank financing	51,000	-	5,617
Preferred stock dividends to affiliated shareholders	-	(315)	(315)
Purchase of treasury shares	(779)	(1,447)	(558)
Repayments of short-term debt	(2,400)	-	-
Retirements and payments of long-term debt and notes payable to affiliates	(23,600)	(2,600)	(12,628)
Redemption of preferred stock	-	(1,000)	-
Proceeds from exercise of stock options	273	90	62
Net cash provided by (used in) financing activities	24,494	(5,272)	(7,822)
Net increase (decrease) in cash	900	(93)	(159)
Cash at beginning of year	130	223	382
Cash at end of year	$ 1,030	$ 130	$ 223
Supplemental disclosure:			
Cash paid for interest	$ 2,510	$2,143	$2,958
Cash paid for income taxes	$ 131	$ 330	$ 85
Issuance of stock to acquire SIA, Inc.	$ -	$ 66	$ 1,212
Issuance of stock to acquire Association Casualty	$ 8,483	$ -	$ -

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, 1999:				
Bankers Fidelity....	$15,644	$ 46,427	$ 3,046	$ 2,120
American Southern...	1,401	48,751	12,235	1,795
Association Casualty...	1,478	30,000	9,241	288
Georgia Casualty....	1,875	41,471	9,771	-0-
	$20,398	$ 166,649(1)	$ 34,293	$ 4.203
December 31, 1998:				
Bankers Fidelity....	$13,972	$ 44,510	$ 3,156	$ 2,065
American Southern...	1,378	46,952	11,830	1,629
Georgia Casualty....	1,531	34,218	8,267	32
	$16,881	$ 125,680(2)	$ 23,253	$ 3,726
December 31, 1997:				
Bankers Fidelity....	$13,412	$ 44,070	$ 2,631	$ 2,001
American Southern...	1,748	47,783	12,964	1,962
Georgia Casualty....	1,323	34,056	8,817	34
	$16,483	$ 125,909(3)	$ 24,412	$ 3,997

----

(1)Includes future policy benefits of $40,093 and losses and claims of $126,556.
(2)Includes future policy benefits of $38,912 and losses and claims of $86,768.
(3)Includes future policy benefits of $39,188 and losses and claims of $86,721.

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY INSURANCE INFORMATION

(in thousands)

Segment	Premium Revenue	Net Investment Income	Future Policy Benefits, Claims, Losses and Settlement Expenses	Amortization of Deferred Acquisition Costs	Other Operating Expenses	Casualty Premiums Written
December 31, 1999:						
Bankers Fidelity....	$41,527	$ 4,676	$ 28,313	$ 1,766	$13,450	$ -
American Southern...	38,166	4,614	26,934	5,068	4,588	38,530
Association Casualty.....	8,498	1,198	5,781	1,431	2,484	8,524
Georgia Casualty....	19,403	2,095	16,535	3,682	4,268	20,870
Other...............	-	4	-	-	6,252	-
	$ 107,594	$12,587	$ 77,563	$11,947	$31,042	$ 67,924
December 31, 1998:						
Bankers Fidelity....	$34,477	$ 4,540	$ 21,494	$ 2,110	$12,895	$ -
American Southern...	35,002	4,571	23,135	4,748	5,183	33,869
Georgia Casualty....	21,813	2,048	16,216	3,737	3,522	21,265
Other...............	-	8	-	-	4,323	-
	$ 91,292	$11,167	$ 60,845	$10,595	$25,923	$ 55,134
December 31, 1997:						
Bankers Fidelity....	$26,967	$ 4,098	$ 15,576	$ 1,944	$10,044	$ -
American Southern...	41,799	4,735	30,182	4,932	4,997	38,282
Georgia Casualty....	19,916	2,064	15,260	2,828	2,988	22,279
Other...............	-	19	-	-	4,293	-
	$88,682	$10,916	$ 61,018	$ 9,704	$22,322	$ 60,561

Schedule IV

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
REINSURANCE

(in thousands)

	Direct Amount	Cede To Other Companies	Assumed From Other Companies	Net Amounts	Percentage of Amount Assumed To Net
Year ended December 31, 1999:					
Life insurance in force	$ 281,565	$ (26,790)	$ -	$254,775	
Premiums --					
Bankers Fidelity	$ 41,407	$ (934)	$ 1,054	$ 41,527	2.5%
American Southern	17,158	(5,384)	26,392	38,166	69.2%
Association Casualty	9,273	(775)	-	8,498	-
Georgia Casualty	23,831	(5,966)	1,538	19,403	7.9%
Total premiums	$ 91,699	$ (13,059)	$ 28,984	$ 107,594	26.9%
Year ended December 31, 1998:					
Life insurance in force	$ 275,557	$ (16,941)	$ -	$ 258,616	
Premiums --					
Bankers Fidelity	$ 34,929	$ (2,236)	$ 1,784	$ 34,477	5.2%
American Southern	19,306	(5,215)	20,911	35,002	59.7%
Georgia Casualty	24,625	(3,206)	394	21,813	1.8%
Total premiums	$ 78,860	$ (10,657)	$ 23,089	$ 91,292	25.3%
Year ended December 31, 1997:					
Life insurance in force	$ 267,749	$ (11,767)	$ -	$ 255,982	
Premiums					
Bankers Fidelity	$ 27,427	$ (460)	$ -	$26,967	-
American Southern	22,471	(6,039)	25,367	41,799	60.7%
Georgia Casualty	22,884	(2,968)	-	19,916	-
Total premiums	$ 72,782	$ (9,467)	$ 25,367	$ 88,682	28.6%

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	Net Investment Income	Claims and Claim Adjustment Expenses Incurred Related To Current Year	Claims and Claim Adjustment Expenses Incurred Related To Prior Years	Amortization of Deferred Acquisition Costs	Paid Claims and Claim Adjustment Expenses	Premiums Written
December 31, 1999	$ 4,754	$120,222	$ 31,247	$ 66,067	$ 7,907	$ 51,520	$(1,941)	$10,181	$46,595	$67,924
December 31, 1998	$ 2,909	$81,170	$ 20,097	$ 56,815	$ 6,619	$ 47,579	$(7,168)	$ 8,485	$39,699	$55,135
December 31, 1997	$ 3,071	$ 81,839	$ 21,781	$ 61,715	$ 6,799	$ 49,163	$(3,003)	$ 7,760	$41,883	$60,562

Exhibit 13.1

Inside Front Cover :
Corporate Profile

Atlantic American Corporation is an insurance holding company whose subsidiary companies are involved in well-defined specialty markets of the life, health, property and casualty insurance industries.

SELECTED FINANCIAL DATA

(Dollars in thousands, expect per share data)

	Year Ended December 31,				
	1999	1998	1997	1996	1995
Insurance premiums	$107,594	$ 91,292	$88,682	$ 86,025	$43,373
Investment income	12,877	11,499	11,256	11,151	6,566
Other income	1,172	366	201	306	-
Realized investment gains, net	2,831	2,909	1,076	1,589	1,731
Total revenue	124,474	106,066	101,215	99,071	51,670
Insurance benefits and losses incurred	77,563	60,845	61,018	54,281	24,689
Other expenses	42,989	36,518	32,026	36,975	23,897
Total benefits and expenses	120,552	97,363	93,044	91,256	48,586
	3,922	8,703	8,171	7,815	3,084
Income tax (benefit) provision	(6,988)	145	138	204	(34)
Income from continuing operations	10,910	8,558	8,033	7,611	3,118
Loss from discontinued operations,net	-	-	-	(4,447)	(10,094)
Net income (loss)	$10,910	$ 8,558	$ 8,033	$3,164	$(6,976)
Basic net income (loss) per common share:					
Income from continuing operations	$ .48	$ .37	$ .35	$ .33	$ .15
Loss from discontinued operations	$ -	$ -	$ -	$ (.24)	$(.54)
Net income (loss)	$ .48	$ .37	$ .35	$ .09	$(.39)
Diluted net income (loss) per common share:					
Income from continuing operations	$ .46	$ .37	$ .35	$ .32	$ .15
Loss from discontinued operations	-	-	-	(.23)	$ (.54)
Net income (loss)	$ .46	$ .37	$ .35	$ .09	$ (.39)
Book value per common share	$ 3.12	$ 3.60	$ 3.27	$ 2.29	$ 1.61
Common shares outstanding	21,027	19,120	18,907	18,684	18,679
Total assets	$ 351,144	$ 273,131	$ 271,860	$252,994	$245,494
Total long-term debt	$ 51,000	$ 23,600	$ 27,600	$ 25,994	$ 31,569
Total debt	$51,000	$ 26,000	$ 28,600	$ 35,611	$ 44,921
Total shareholders' equity before accumulated other comprehensive income	$ 71,112	$ 53,431	$ 48,685	$ 41,423	$ 30,889
Total shareholders' equity after accumulated other comprehensive income	$ 78,948	$ 82,217	$ 78,183	$ 59,136	$46,478
Operating return on beginning equity *	15.1%	11.6%	16.8%	19.5%	5.7%

* Operating return on equity is calculated by dividing total shareholders' equity before accumulated other comprehensive income into net income from continuing operations less realized gains.

President's Message

To Our Shareholders:

Looking back, 1999 was a year of challenges faced and milestones reached for Atlantic American. Our regional property and casualty operations weathered the battering of the soft pricing environment prevalent in our industry, and successfully began adjusting our pricing upward, while our life and health insurance operations have never had a more successful year in terms of growth and profitability. On a consolidated basis Atlantic American reported fair, but profitable results, and was able to continue to grow both internally and through acquisition.

To briefly summarize the results for the year, consolidated revenue increased to over $124.4 million, an increase of over 17%. Net income for the year was $10.9 million compared to $8.6 million in 1998. However, the current year was favorably impacted by an adjustment to the valuation allowance established against our deferred tax asset; excluding this tax benefit, net income was $3.9 million. Book value per share declined to $3.12 from $3.60 in 1998, as incresing interest rates and declines in the securities markets adversely impacted our investment portfolio.

On July 1, we completed the acquisition of Association Casualty Insurance Company, an "A-" A.M. Best rated workers' compensation specialist in Texas, and its affiliate, Association Risk Management General Agency, Inc., together known as "Association Casualty." With the addition of these companies, we have expanded our regional underwriting focus into Texas and the Southwest. Harold Fischer, the founder, President and principal shareholder of Association Casualty, has continued with the companies and has joined our board of directors. We are extremely pleased to have him on board. All of the remaining management of the companies, most notably Dianne Morris and Evelyn Hickey, COO and CFO, respectively, has continued under our new ownership. Association Casualty was one of the first companies to return to the workers' compensation market in Texas after reforms were enacted in the early 1990s, and it has built a solid book of business throughout the state. This acquisition roughly doubles our regional, commercial book of business and gives us much greater underwriting flexibility by allowing us to pair Association Casualty's filings and rate structures with that of Georgia Casualty. In 2000, Association Casualty will be expanding its underwriting capacity in order to write all lines of its clients' insurance accounts. We believe that this expanded underwriting capacity will allow the company to significantly grow its premiums and protect its book of business. The acquisition of Association Casualty is our sixth acquisition since 1995 and our second largest, after the acquisition of American Southern at the end of 1995. I am certain that it will also prove to be one of our most successful.

It is always a significant event when someone new joins the senior ranks of a company's management, and it is certainly true with the addition of Bob Kitchen as the new president of Georgia Casualty. Bob is a dynamic individual who brings a tremendous amount of industry experience to Atlantic American. Prior to joining us in May 1999, Bob had spent his entire career with Safeco, most recently serving as Vice President, Safeco Commercial Insurance. He also served as their national director of workers' compensation from 1992 to 1997.Since joining Atlantic American, Bob has worked diligently to improve Georgia Casualty's market position, coordinate its relationship with Association Casualty, and hone its focus to create the premier, regional insurance carrier in the Southeast. We expect great things from Bob and the new Georgia Casualty he is fashioning.

American Southern, our single largest property and casualty operation, specializes in large account, program business throughout the United States. Unlike our other property and casualty operations, American Southern does not concentrate its operations geographically, but instead focuses on individual accounts which are large enough that they can be uniquely priced, underwritten and reinsured. Currently, the vast majority of American Southern's book of business consists of commercial automobile accounts, but the company has many smaller accounts in other lines of business. Due to the longer terms of an average contract, American Southern has not been directly impacted by short-term price swings. American Southern has a long tradition of correctly pricing its accounts, and consequently, continues to report successful results and steady premium income in line with its prior experience. This year also saw American Southern complete the initial phase of its joint venture with the AAA Motor Club of the Carolinas, offering personal automobile coverage to club members. We are particularly optimistic about this joint venture as a model for future growth and American Southern's current opportunity to significantly grow this account during the upcoming year.

Our life and health operations, represented by Bankers Fidelity, completed one of its most successful years ever in 1999. Total premiums written grew by 20% and total revenue grew by 19% to $48 million. An initiative to streamline our operations and reduce our cost structure produced significant results in Bankers Fidelity and we anticipate close to $1 million in cost reductions in this company alone, which we believe we can bring to the bottom line in 2000. Gene Choate, the president of Bankers Fidelity since 1987 and Anthony Chapman, the company's chief marketing officer since 1993, have been quite successful in expanding our regional sales distribution network, most notably this year in the mid-Atlantic and midwest regions. As we begin 2000, a new network of dedicated professionals is in place in our western region and we expect this expansion to lead the way in new business production in the coming year. In April we received final regulatory approval for the merger of Bankers Fidelity and American Independent Life Insurance Company, which we acquired in 1997, with Bankers Fidelity being the surviving entity. This merger, in tandem with our restructuring efforts, should help to reduce our operating costs going forward.

Atlantic American was also active this year in enhancing its capital structure. In June, the company issued $25.0 million in Taxable Variable Rate Demand Bonds, maturing in 2009, to replace a portion of our existing bank facility. The bonds are backed by a letter of credit issued by Wachovia Bank. In conjunction with the issuance of these bonds, Atlantic American repaid and terminated its prior credit facility, which would have matured on December 31, 2000. Further, to finance a portion of the acquisition of Association Casualty, we entered into a $30 million revolving credit facility with Wachovia Bank. The revolver has a five-year term and requires no principal payments until maturity. At year-end, the company had drawn down $26 million of the available facility, but in the first quarter of 2000 we elected to repay $1 million in principal, leaving total debt at $50 million as of the date of this letter.

In addition, at its final meeting of 1999, the board of directors authorized the acquisition of up to an additional 500,000 shares of Atlantic American's issued and outstanding common stock pursuant to our previously authorized stock repurchase program. As in the past, the shares will be repurchased periodically based upon prevailing market conditions and held as treasury shares primarily to satisfy our obligations to various employee benefit programs. With the new authorization, Atlantic American is able to repurchase approximately 620,000 additional shares.

In January, we received the news that our "A-" group rating was affirmed by Standard & Poor's and was extended to cover Association Casualty. We are gratified by this affirmation, especially in light of the difficult year our industry has had in 1999.

At the beginning of 1999, many were predicting disaster for our industry as it looked to overcome the challenge of converting to Year 2000 compliant computer systems. Thanks to the dedication and hard work of our entire staff, in particular Clark Berryman, the head of Atlantic American's Information Services Department, and his associates in all of our subsidiaries, the year 2000 arrived without any disruption in our operations or to our customers. Further, we encountered no problems from our vendors or the systems or services that they provide our Company.

As you will note by our cover design for this report, we have refined our "double A" Atlantic American corporate logo. The new look is being extended to many of our subsidiary companies to give them a unified brand identification with Atlantic American Corporation. As we continue to expand our underwriting capacity, regional distribution and product offerings, this new brand identification will help us to capitalize on our strong relationships with our agents and customers and will aid our efforts to create new cross-marketing opportunities among our operating entities.

In spite of the extremely competitive insurance marketplace, we look to the upcoming year with confidence. One of the advantages of being a regional insurance operation is that we can move quickly to address changes in the marketplace and, consequently, we believe that we will report improved results in 2000. Atlantic American has never before had the depth of intellectual capital and the underwriting capacity that we have today. We can assure you that we are all working hard each and every day to build on the resources we have in place and to create an ever stronger company - a company built to last - which will serve the needs of our customers and shareholders alike for many years to come.

Thank you for your trust and confidence.

/s/	/s/
J. Mack Robinson	Hilton H. Howell, Jr.
Chairman of the Board	President & CEO

American Southern Insurance Company and American Safety Insurance Company, collectively referred to as "American Southern," are a consistent and significant contributor of revenue and profit to Atlantic American Corporation. A specialty marketer of automobile liability and physical damage insurance to large commercial policyholders, American Southern's book of business is comprised primarily of large, long-term contracts. Both companies under the American Southern umbrella are rated "A-" ("Excellent") by A.M. Best Company.

Marketing through independent agents, the company is licensed in 24 states. Most of the company's business, however, comes from Georgia, South Carolina and Florida.

Through a joint venture with the AAA of the Carolinas Motor Club, American Auto Club Insurance Agency, American Southern underwrites standard automobile business to members of the association. The increase in written and gross premiums reported by the company during 1999 was due, in large part, to this joint venture, in which American Southern holds a 50% interest.

In addition to the joint venture, American Southern produces a significant amount of business through contracts with various states and municipalities and underwrites coverage on modular buildings such as temporary facilities for housing and storage at schools, construction sites and sports venues.

Despite intense competition, the company has been successful in maintaining and renewing most of its long-term contracts. The possibility always exists, however, that competitors may submit unprofitable bids in order to win a contract. Because American Southern has no intention of pricing at unprofitable levels, contracts up for renewal are particularly vulnerable. To increase the number of programs underwritten by the company and thereby reduce the risk of exposure that could result from the loss of a large contract, American Southern hired a new marketing representative in 1999 to develop additional programs.

Based upon the quality relationships and confidence exhibited by their customers and the quality service and unique programs offered, American Southern remains positioned to grow and to continue to be a significant contributor to Atlantic American for many years to come.

Association Casualty Insurance Company and Association Risk Management General Agency, collectively known as "Association Casualty," are the latest additions to the Atlantic American portfolio of companies. Though licensed in Texas, New Mexico and Oklahoma, Association Casualty specializes in writing workers' compensation insurance in the state of Texas. The company maintains contracts with approximately 130 independent agents located throughout the state.

Until enactment of a new law in 1991, workers' compensation in the state of Texas had traditionally been a loss leader. Once the more conservative approach to workers' compensation went into effect, ACIC began to aggressively market this line of coverage. Due to limited competition, the company was able to quickly establish a strong relationship with a core group of outstanding agents that put profitable business on the books. The company continues to maintain an excellent relationship with these same agents today.

Association Casualty underwrites a variety of business classes ranging from country clubs to car dealers. The common thread between these businesses is a low to moderate risk hazard, free from catastrophic and occupational disease exposure.

In an environment of decreasing rates due to competitive market pressures, the company experienced an underwriting loss in 1999, the first such loss in a number of years. While the company's underwriting composite of 107%, on a twelve month statutory basis, did not meet expectations, it compares favorably to the industry composite of 118%. With the company's frequency ratio the lowest it has been in the past six years, rate increases are currently being implemented to bring premiums to a level that will support loss activity.

Due to the company's high quality, liquid investment portfolio, its strong reserve position and a consistent, conservative underwriting philosophy, the A.M. Best Company reaffirmed Association Casualty's "A-" (Excellent) rating in 1999.

Looking forward, Association Casualty is poised to build on its solid foundation. During 2000, the company will expand into commercial property casualty lines to compliment its workers' compensation expertise and diversify the company's risk basis. Licensing is proceeding in a number of new states, principally in the gulf, southeastern and mid-atlantic regions.

Bankers Fidelity Life Insurance Company, the flagship company of Atlantic American's life and health operations, is an established leader in the marketing of products designed to meet the needs of the senior market. Core products include Medicare supplement, final expense life insurance and short-term care coverage. The company maintains a network of regional sales directors who recruit and manage independent agents utilizing a proprietary lead generation system. At year-end 1999, Bankers Fidelity Life had approximately 2,800 active agents principally located in second-tier cities and rural areas. The company is licensed in 35 states.

Building on the positive momentum of recent years, Bankers Fidelity Life again reported strong growth and profitability during 1999. Total premium increased by 20.4% to $41.5 million, while net income increased to $3.9 million, a 12.7% gain. As testament to Bankers Fidelity Life's positive results, the company received a rating upgrade from "B+" (Very Good) to "B++" (Very Good) from the A.M. Best Company. This was the company's second Best's Rating upgrade since 1995.

The primary factors attributable to Bankers Fidelity's continued growth are expansion into previously untapped geographic regions and unwavering commitment to its distribution system and core product lines. In addition, the company has made a concerted effort to reduce its expense structure.

During 1999, the company continued its successful expansion into the mid-atlantic and western regions. Through targeted advertising and direct mail campaigns in year 2000, the company plans to intensify agent recruiting efforts and increase market penetration in those areas.

At a time when many competitors have withdrawn from the Medicare supplement market because of unprofitable results, Bankers Fidelity remains committed to this line of business. The company has great confidence in its philosophy of realistic pricing, competitive commissions and stringent underwriting.

In 1999, the company announced a reduced, yet competitive, commission structure and implemented rate increases on all new and existing Medicare supplement policies. In spite of these changes, which might be perceived as negatives by agents and consumers, the Medicare supplement line of business accounted for more than $1.7 million in income from operations. Also critical to the company' success in 1999 was a 42% increase in the sale of its core final expense product, LP95. Going forward, the marketing plan calls for a continued focus on increasing life sales. In an effort to capitalize on niche market opportunities that arise from time to time, the company also entered into a strategic marketing alliance with an established marketing organization to sell its products via payroll deduction.

During 1999, Bankers Fidelity completed distribution of its proprietary prescription drug discount card - MatureRX - to existing customers. The complimentary card is provided to new policyowners at the time of policy issue. At year-end, nearly 87,000 MatureRX identification cards had been distributed. Total prescriptions filled under the program during 1999 totaled more than 206,000. Savings to customers amounted to more than $1.3 million. The company believes that such value-added benefits help to differentiate Bankers Fidelity from the competition, build brand loyalty and improve persistency.

Focusing on its expense structure, the company undertook, through an independent consulting firm, a rigorous review of operating expenses, procedures and personnel allocation. As a result of that study, numerous efficiencies were identified, including the reduction of full time home office employees from 71 to 60. The staff reduction was accomplished through a combination of attrition and job consolidation. Also contributing to the company's success in reducing expenses was the successful merger of American Independent Life Insurance Company with Bankers Fidelity.

Looking to 2000 and beyond, Bankers Fidelity Life has a well-defined marketing plan to produce consistent growth through new sales. The cornerstone of that plan is a commitment to continue its geographic expansion through the recruitment of new regional sales directors and an emphasis on the sale of life products. The company also anticipates having the ability to market selected products via the Internet as early as mid-2000. Bankers Fidelity looks to strengthen its position as a recognized leader in the senior market via the delivery of quality and value-added services through its network of professional regional sales directors and qualified, career agents.

Georgia Casualty and Surety Company, a significant component of Atlantic American's portfolio of companies, is a leading provider of workers' compensation, commercial property, general liability and automobile insurance in the Southeastern United States. The company is licensed to do business in 13 states. Georgia Casualty's principal marketing territories include Georgia, Florida, North Carolina, South Carolina, Mississippi and Tennessee. At year-end 1999, the company had 105 independent agents under contract.

Georgia Casualty, along with the entire property casualty industry, was challenged by suppressed premiums and increased losses, resulting in depressed earnings. Despite these industry-wide trends, the company's strong capitalization position paved the way for an affirmation of its "B++" (Very Good) rating from the A.M. Best Company. In addition, Atlantic American's portfolio of companies as a whole received an "A-" (Strong) rating from Standard & Poor's for the second consecutive year.

Traditionally, Georgia Casualty has specialized in providing workers' compensation coverage for the pulpwood logging, mechanized woodworking and habitational contractor industries. The company has made great strides in diversifying its business mix by gearing its product and service development toward lower hazard risk industries. Targeted markets include "main street" businesses as well as the retail, light manufacturing and service industries. To facilitate this business transition, the company is working to build relationships with agencies that specialize in these niche markets. Recognizing that the key to attracting quality agents and quality business is a competitive product line, the company has introduced a number of product enhancements on targeted business classes as well as technological improvements to better serve agent constituents.

As a result of an extensive study by an independent consulting firm, a number of staff and organizational efficiencies were implemented in 1999. Among those were the reassignment of existing personnel and the addition of experienced, qualified individuals in the areas of underwriting, claims, loss control and sales. At year-end 1999, the number of home office employees stood at 44, a net increase of three compared to 1998.

Creating long-term relationships with both agents and customers is the core of Georgia Casualty's business philosophy. Those relationships are built and nurtured by providing value-added services that help to set Georgia Casualty apart from the competition. For example, the risk management department provides customized consultative services to help customers reduce losses, enhance worker productivity and improve their company image. In addition, a 24-7-365 claim reporting system allows Georgia Casualty to promptly respond to client needs. On-staff registered nurse case managers ensure that employees return to work quickly, thus eliminating lost production time and minimizing workers' compensation costs.

Georgia Casualty continues to offer exciting sales incentives, including exceptional conferences, along with competitive profit sharing programs that reward the most productive and profitable agents. The company is committed to the continued development of staff, products and services that make it easy to do business with Georgia Casualty.

The new millennium offers many challenges, yet many opportunities for Georgia Casualty, its agents and their customers. The company will continue to deliver its traditional exemplary service through exceptional people and quality products. Georgia Casualty is proud of its past, confident of its future and committed to being the premier property casualty carrier in the Southeast.

DIRECTORS

J. MACK ROBINSON
Chairman

Atlantic American Corporation

HILTON H. HOWELL, JR.
President and Chief Executive Officer

Atlantic American Corporation

THE HONORABLE EDWARD E. ELSON
Former United States Ambassador

to the Kingdom of Denmark

HAROLD K. FISCHER
President

Association Casualty Insurance Company

SAMUEL E. HUDGINS
Consultant

D. RAYMOND RIDDLE
Retired Chairman and Chief Executive Officer

National Service Industries, Inc.

HARRIETT J. ROBINSON
Director, Delta Life Insurance Company

SCOTT G. THOMPSON
President and Chief Financial Officer

American Southern Insurance Company

MARK C. WEST
Chairman and Chief Executive Officer

Genoa Companies

WILLIAM H. WHALEY, M.D.
William H. Whaley, M.D., P.C., F.A.C.P.

DOM H. WYANT
Retired Partner, Jones, Day, Reavis & Pogue

OFFICERS

J. MACK ROBINSON
Chairman

HILTON H. HOWELL, JR.
President and Chief Executive Officer

EDWARD L. RAND, JR.
Vice President and Chief Financial Officer

CLARK W. BERRYMAN
Vice President, Information Services

MICHAEL J. BRASSER
Vice President, Internal Audit

JANIE L. RYAN
Corporate Secretary

BARBARA B. SNYDER
Vice President and Director, Human Resources

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

	December31, 1999	1998
ASSETS		
Cash and cash equivalents, including short-term investments of $22,471 and $ 24,068 in 1999 and 1998, respectively	$ 34,306	$ 32,385
Investments	198,841	173,335
Receivables:		
Reinsurance	39,287	22,772
Other, net of allowance for doubtful accounts of $1,717 and $1,377 in 1999 and 1998, respectively	28,478	18,912
Deferred income taxes, net	4,299	-
Deferred acquisition costs	20,398	16,881
Other assets	5,074	4,507
Goodwill	20,461	4,339
Total assets	$ 351,144	$ 273,131
LIABILITIES AND SHAREHOLDERS' EQUITY		
Insurance reserves and policyholder funds	$ 205,145	$ 152,659
Accounts payable and accrued expenses	16,051	12,255
Debt payable	51,000	26,000
Total liabilities	272,196	190,914
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Preferred stock, $1 par, 4,000,000 shares authorized; Series B preferred, 134,000 shares issued and outstanding, $13,400 redemption value	134	134
Common stock, $1 par, 30,000,000 shares authorized; 21,412,138 shares issued in 1999 and 19,405,753 shares issued in 1998 and 21,026,786 shares outstanding in 1999 and 19,120,185 shares outstanding in 1998	21,412	19,406
Additional paid-in capital	55,677	50,406
Accumulated deficit	(4,558)	(15,213)
Accumulated other comprehensive income	7,836	28,786
Treasury stock, at cost, 385,352 shares in 1999 and 285,568 shares in 1998	(1,553)	(1,302)
Total shareholders' equity	78,948	82,217
Total liabilities and shareholders' equity	$ 351,144	$273,131

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

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)

	Year Ended December 31, 1999	1998	1997
Revenue:			
Insurance premiums	$107,594	$ 91,292	$ 88,682
Investment income	12,877	11,499	11,256
Other income	1,172	366	201
Realized investment gains, net	2,831	2,909	1,076
Total revenue	124,474	106,066	101,215
Benefits and expenses:			
Insurance benefits and losses incurred	77,563	60,845	61,018
Commissions and underwriting expenses	28,720	27,160	23,012
Interest expense	2,819	2,146	2,902
Other	11,450	7,212	6,112
Total benefits and expenses	120,552	97,363	93,044
Income before income tax (benefit) provision	3,922	8,703	8,171
Income tax (benefit) provision	(6,988)	145	138
Net income before preferred stock dividends	10,910	8,558	8,033
Preferred stock dividends	(1,206)	(1,521)	(1,521)
Net income applicable to common stock	$ 9,704	$ 7,037	$ 6,512
Basic earnings per common share	$ .48	$ .37	$ .35
Diluted earnings per common share	$ .46	$ .37	$ .35

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars In Thousands)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance, December 31, 1996	$ 164	$ 18,712	$ 54,062	$(31,426)	$17,713	$ (89)	$59,136
Comprehensive income:							
Net income	-	-	-	8,033	-	-	8,033
Increase in unrealized investment gains	-	-	-	-	11,785	-	11,785
Total comprehensive income							19,818
Cash dividends paid on preferred stock	-	-	(315)	-	-	-	(315)
Dividends accrued on preferred stock	-	-	(1,206)	-	-	-	(1,206)
Purchase of 213,089 shares for treasury	-	-	-	-	-	(735)	(735)
Issuance of 157,578 shares for employee benefit plans and stock options	-	-	3	(260)	-	530	273
Issuance of 278,561 shares for acquisition of Self-Insurance Administrators, Inc.	-	209	772	-	-	231	1,212
Balance, December 31, 1997	164	18,921	53,316	(23,653)	29,498	(63)	78,183
Comprehensive income:							
Net income	-	-	-	8,558	-	-	8,558
Decrease in unrealized investment gains	-	-	-	-	(712)	-	(712)
Total comprehensive income							7,846
Cash dividends paid on preferred stock	-	-	(315)	-	-	-	(315)
Dividends accrued on preferred stock	-	-	(1,206)	-	-	-	(1,206)
Purchase of 349,879 shares for treasury	-	-	-	-	-	(1,592)	(1,592)
Issuance of 77,475 shares for employee benefit plans and stock options	-	-	-	(118)	-	353	235
Preferred stock redeemed including issuance of 469,760 common shares	(30)	470	(1,440)	-	-	-	(1,000)
Issuance of 15,265 shares for final consideration of Self-Insurance Administrators, Inc.	-	15	51	-	-	-	66
Balance, December 31, 1998	134	19,406	50,406	(15,213)	28,786	(1,302)	82,217
Comprehensive loss:							
Net income	-	-	-	10,910	-	-	10,910
Decrease in unrealized investment gains	-	-	-	-	(16,731)	-	(16,731)
Deferred income tax attributable to other comprehensive loss	-	-	-	-	(4,219)	-	(4,219)
Total comprehensive loss							(10,040)
Dividends accrued on preferred stock	-	-	(1,206)	-	-	-	(1,206)
Purchase of 213,392 shares for treasury	-	-	-	-	-	(779)	(779)
Issuance of 113,608 shares for employee benefit plans and stock options	-	-	-	(255)	-	528	273
Issuance of 2,006,385 shares for acquisition of Association Casualty Insurance Company	-	2,006	6,477	-	-	-	8,483
Balance, December 31, 1999	$ 134	$ 21,412	$ 55,677	$ (4,558)	$ 7,836	$(1,553)	$ 78,948

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars In Thousands)	Year Ended December 31, 1999	1998	1997
Cash flows from operating activities:			
Net income	$ 10,910	$ 8,558	$ 8,033
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of deferred acquisition costs	11,947	10,595	9,704
Acquisition costs deferred	(14,003)	(11,087)	(11,008)
Realized investment gains	(2,831)	(2,909)	(1,076)
Increase (decrease) in insurance reserves and policyholder funds	14,036	(1,941)	618
Depreciation and amortization	1,435	1,368	1,121
Deferred income tax benefit	(6,997)	-	-
(Increase) decrease in receivables, net	(8,404)	950	1,114
Increase in other liabilities	73	291	13
Other, net	(768)	(350)	98
Net cash provided by operating activities	5,398	5,475	8,617
Cash flows from investing activities:			
Proceeds from investments sold	8,482	8,723	7,748
Proceeds from investments matured, called or redeemed	35,594	55,665	52,074
Investments purchased	(53,211)	(82,981)	(53,544)
Acquisition of minority interest	-	-	(101)
Additions to property and equipment	(829)	(394)	(733)
Acquisition of American Independent, net of $1,946 cash acquired	198	(483)	(719)
Acquisition of Association Casualty, net of $6,270 cash acquired	(18,205)	-	-
Acquisition of SIA, Inc.	-	-	25
Bulk reinsurance transactions, net	-	608	-
Net cash (used in) provided by investing activities	(27,971)	(18,862)	4,750
Cash flows from financing activities:			
Proceeds from issuance of bank financing	51,000	-	5,617
Preferred stock dividends	-	(315)	(315)
Proceeds from exercise of stock options	273	90	62
Purchase of treasury shares	(779)	(1,447)	(558)
Repayments of debt	(26,000)	(2,600)	(12,628)
Redemption of preferred stock	-	(1,000)	-
Net cash provided by (used in) financing activities	24,494	(5,272)	(7,822)
Net increase (decrease) in cash and cash equivalents	1,921	(18,659)	5,545
Cash and cash equivalents at beginning of year	32,385	51,044	45,499
Cash and cash equivalents at end of year	$34,306	$ 32,385	$ 51,044
Supplemental cash flow information:			
Cash paid for interest	$ 2,510	$ 2,143	$ 2,958
Cash paid for income taxes	$131	$ 330	$ 85

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

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 wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

At December 31, 1999, the Company had five insurance subsidiaries, including Bankers Fidelity Life Insurance Company ("Bankers Fidelity"), American Southern Insurance Company and its wholly-owned subsidiary, American Safety Insurance Company (together known as "American Southern"), Association Casualty Insurance Company ("ACIC") and Georgia Casualty & Surety Company ("Georgia Casualty"), in addition to two non-risk bearing subsidiaries, Association Risk Management General Agency, Inc. ("ARMGA") and Self-Insurance Administrators, Inc. ("SIA, Inc."). SIA, Inc. was acquired on October 28, 1997 and ACIC and ARMGA (together known as "Association Casualty") were acquired on July 1, 1999. The results of operations of Association Casualty and SIA, Inc. are included from their respective dates of acquisition.

Assets and liabilities are not classified in accordance with insurance industry practice.

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 premiums as they are earned so as to result in recognition of profits over the lives of the contracts. 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, "deferred policy acquisition costs" (principally commissions, premium taxes, advertising and other expenses of issuing policies). Traditional life insurance and long-duration health insurance deferred policy acquisition costs are 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 insurance 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 future premiums (for traditional life and long-duration health insurance) and from the related unearned premiums and investment income (for property and casualty and short-duration health insurance).

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 estimates of projected ultimate losses.

Goodwill

Goodwill is amortized over a period of fifteen to forty years using the straight-line method. The Company periodically evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of goodwill may warrant revision. Should factors indicate that goodwill be evaluated for possible impairment, the Company will compare the recoverability of goodwill to a projection of the acquired companies' undiscounted cash flow over the estimated remaining life of the goodwill in assessing whether the goodwill is recoverable.

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. Other invested assets are comprised of investments in limited partnerships, limited liability companies, and real estate joint ventures; those which are publicly traded are carried at estimated market value, and all others are carried at historical cost. If the value of a common stock, preferred stock, other invested asset, or publicly traded bond declines below its cost or amortized cost, and 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. Premiums and discounts related to investments are amortized or accreted over the life of the related investment as an adjustment to yield using the effective interest method. Dividends and interest income are recognized when earned or declared.

The cost of securities sold is based on specific identification. Unrealized gains (losses) in the value of invested assets, are accounted for as a direct increase (decrease) in accumulated other comprehensive income in shareholders' equity and, accordingly, have no effect on net income.

Income Taxes

Deferred income 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 as those

NOTE. 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

changes are enacted. The provision for income taxes represents the total amount of income taxes due related to the current year, plus the change in deferred taxes during the year.

Earnings Per Common Share

Basic earnings per common share are based on the weighted average number of common shares outstanding during each period. Diluted earnings per common share are based on the weighted average number of common shares outstanding during each period, plus common shares calculated for stock options outstanding using the treasury stock method, and in 1999 and 1998 include common shares calculated for the assumed conversion of the Series B Preferred Stock. Unless otherwise indicated, earnings per common share amounts are presented on a diluted basis.

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.

Impact of Recently Issued Accounting Standards

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

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. These estimates and assumptions also affect 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.

Reclassifications

Certain prior period amounts have been reclassified to conform to the 1999 presentation.

NOTE 2. INVESTMENTS

Investments are comprised of the following:

1999

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
Bonds:				
U. S. Treasury Securities and Obligations of U. S. Government Corporations and Agencies	$ 104,217	$ 137	$ 5,551	$ 109,631
Obligations of states and political subdivisions	4,078	2	62	4,138
Corporate securities	26,106	116	796	26,786
Mortgage-backed securities (government guaranteed)	2,599	-	66	2,665
	137,000	255	6,475	143,220
Common and preferred stocks	48,684	22,226	4,725	31,183
Other invested assets	5,717	774	-	4,943
Mortgage loans (estimated fair value of $4,237)	3,645			3,645
Policy and student loans	3,749			3,749
Real estate	46			46
Investments	198,841	23,255	11,200	186,786
Short-term investments	22,471	-	-	22,471
Total investments	$221,312	$ 23,255	$11,200	$ 209,257

1998

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
Bonds:				
U. S. Treasury Securities and Obligations of U. S. Government Corporations and Agencies	$ 85,784	$ 976	$ 188	$ 84,996
Obligations of states and political subdivisions	2,714	116	-	2,598
Corporate securities	10,092	507	375	9,960
Mortgage-backed securities (government guaranteed)	751	19	-	732
	99,341	1,618	563	98,286
Common and preferred stocks	61,007	29,345	1,454	33,116
Other invested assets	4,822	-	160	4,982
Mortgage loans (estimated fair value of $4,949)	3,851			3,851
Policy and student loans	4,268			4,268
Real estate	46			46
Investments	173,335	30,963	2,177	144,549
Short-term investments	24,068	-	-	24,068
Total investments	$ 197,403	$ 30,963	$ 2,177	$ 168,617

Bonds and cash having an amortized cost of $16,241 and $14,836 were on deposit with insurance regulatory authorities at December 31, 1999 and 1998, respectively, in accordance with statutory requirements.

NOTE 2. INVESTMENTS (continued)

The amortized cost and carrying value of bonds and short-term investments at December 31, 1999 by contractual maturity are as follows. 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.

	Carrying Value	Amortized Cost
Due in one year or less	$ 26,273	$ 26,300
Due after one year through five years	19,501	19,678
Due after five years through ten years	99,189	104,685
Due after ten years	14,054	14,569
Varying maturities	454	459
Totals	$ 159,471	$ 165,691

Investment income was earned from the following sources:

	1999	1998	1997
Bonds	$ 8,600	$ 6,363	$ 6,906
Common and preferred stocks	2,388	1,903	1,373
Mortgage loans	352	373	554
CDs and commercial paper	933	2,004	2,130
Other	604	856	293
Total investment income	12,877	11,499	11,256
Less investment expenses	(290)	(332)	(340)
Net investment income	$ 12,587	$11,167	$ 10,916

A summary of realized investment gains (losses) follows:

1999

	Stocks	Bonds	Other Invested Assets	Total
Gains	$ 2,526	$ 10	$ 585	$ 3,121
Losses	(52)	(238)	-	(290)
Total realized investment gains (losses) net	$ 2,474	$ (228)	$ 585	$ 2,831

1998

	Stocks	Bonds	Other Invested Assets	Total
Gains	$ 3,832	$ 11	$ -	$ 3,843
Losses	(735)	(199)	-	(934)
Total realized investment gains (losses) net	$ 3,097	$ (188)	$ -	$ 2,909

1997

	Stocks	Bonds	Other Invested Assets	Total
Gains	$ 1,597	$ 16	$ 2	$ 1,615
Losses	(104)	(435)	-	(539)
Total realized investment gains (losses) net	$ 1,493	$ (419)	$ 2	$ 1,076

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

	1999	1998	1997
Common and preferred stocks	$ 5,960	$6,999	$ 6,393
Bonds	1,379	-	-
Student loans	519	1,024	1,262
Other investments	624	700	93
Total proceeds	$ 8,482	$8,723	$7,748

The Company's investment in the common stock of Wachovia Corporation exceeds 10% of shareholders' equity at December 31, 1999. The carrying value of this investment at December 31, 1999 was $18,890 with a cost basis of $3,032.

The Company's bond portfolio included 99% investment grade securities at December 31, 1999 as defined by the National Association of Insurance Commissioners ("NAIC").

NOTE 3. INSURANCE RESERVES AND POLICYHOLDER FUNDS

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

			Amount of Insurance in Force	
Future policy benefits	1999	1998	1999	1998
Life insurance policies:				
Ordinary	$29,235	$27,340	$238,827	$240,642
Mass market	7,933	8,532	15,948	17,974
Individual annuities	741	711	-	-
	37,909	36,583	$254,775	$258,616
Accident and health insurance policies	2,184	2,329		
	40,093	38,912		
Unearned premiums	34,293	23,253		
Losses and claims	126,556	86,768		
Other policy liabilities	4,203	3,726		
Total policy liabilities	$ 205,145	$152,659		

Annualized premiums for accident and health insurance policies were $32,028 and $25,793 at December 31, 1999 and 1998, 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 experience. The interest rates assumed for life, accident and health are generally: (i) 2.5% to 5.5% for issues prior to 1977, (ii) 7% graded to 5.5% for 1977 through 1979 issues, (iii) 9% for 1980 through 1987 issues, and (iv) 7% for 1988 and later issues.

NOTE 3. INSURANCE RESERVES AND POLICY FUNDS (continued)

Loss and Claim Reserves

Loss and claim reserves represent estimates of projected ultimate losses and are 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 by management and independent consulting actuaries and updated with changes to the estimated liability recorded in the statement of operations in the year in which such changes are known.

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

	1999	1998
Balance at January 1	$86,768	$86,721
Less: Reinsurance recoverables	(22,625)	(24,006)
Net balance at January 1	64,143	62,715
Incurred related to:		
Current year	73,056	63,030
Prior years	3,246	(2,606)
Total incurred	76,302	60,424
Paid related to:		
Current year	44,623	35,566
Prior years	27,959	23,430
Total paid	72,582	58,996
Reserves acquired due to acquisition	19,934	-
Net balance at December 31	87,797	64,143
Plus: Reinsurance recoverables	38,759	22,625
Balance at December 31	$126,556	$86,768

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

	1999	1998
Total incurred claims	$76,302	$60,424
State residual pool refunds and adjustments to loss portfolio arrangements	(329)	(1,098)
Cash surrender value and matured endowments	1,590	1,438
Other	-	81
Total insurance benefits and losses incurred	$77,563	$ 60,845

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 82% of the reinsurance receivables are due from three reinsurers as of December 31, 1999. Reinsurance receivables of $21,591 are with General Reinsurance Corporation, rated "AAA" by Standard & Poor's and "A++" (Superior) by A.M. Best, $2,089 are with First Colony Life Insurance Company, rated "AA" by Standard & Poor's and "A++" (Superior) by A.M. Best, and $8,479 are with PMA Reinsurance Corporation, rated "A+" (Superior) by A.M. Best.In the opinion of management, the Company's reinsurers are financially stable.Allowances for uncollectible amounts are established against reinsurance receivables, if appropriate. Premiums assumed of $24,903, $23,633, and $23,738 in 1999,1998, and 1997 respectively, include a state contract with premiums of $15,064, $14,403, and $15,900. The contract premiums represent 14.0%, 15.8% and 17.9% of net premiums earned for the years ended 1999, 1998, and 1997, respectively. The following table reconciles premiums written to premiums earned and summarizes the components of insurance benefits and losses incurred.

	1999	1998	1997
Direct premiums written	$97,909	$76,964	$73,006

Plus - premiums assumed	24,903	23,633	23,738
Less - premiums ceded	(13,189)	(10,746)	(9,345)
Net premiums written	109,623	89,851	87,399
Change in unearned premiums	(1,802)	1,352	1,405
Change in unearned premiums ceded	(227)	89	(122)
Net change in unearned premiums	(2,029)	1,441	1,283
Net premiums earned	$107,594	$ 91,292	$ 88,682
Provision for benefits and losses incurred	$88,249	$ 69,478	$ 68,043
Reinsurance loss recoveries	(10,686)	(8,633)	(7,025)
Insurance benefits and losses incurred	$77,563	$60,845	$ 61,018

Components of reinsurance receivables are as follows:

	1999	1998
Receivable on unpaid losses	$38,759	$ 22,625
Receivable on paid losses	528	147
	$39,287	$ 22,772

NOTE 5. INCOME TAXES

A reconciliation of the differences between income taxes computed at the federal statutory income tax rate and the (benefit) provision for income taxes is as follows:

	1999	1998	1997
Federal income tax provision at statutory rate of 35%	$1,373	$3,046	$ 2,860
Tax exempt interest and dividends received deductions	(400)	(452)	(267)
Change in asset valuation allowance due to:			
Utilization of net operating loss carryforwards	(973)	(2,594)	(2,585)
Recognition of deferred tax liability relating to unrealized investment gains	(4,219)	-	-
Change in judgment relating to realizability of deferred tax assets	(2,778)	-	-
Alternative minimum tax	9	145	130
Total (benefit) provision for income taxes	$ (6,988)	$ 145	$ 138

Deferred tax liabilities and assets at December 31, 1999 and 1998 are comprised of the following:

	1999	1998
Deferred tax liabilities:		
Deferred acquisition costs	$(4,646)	$(3,888)
Net unrealized investment gains	(4,219)	(10,075)
Other	(160)	-
Total deferred tax liabilities	(9,025)	(13,963)
Deferred tax assets:		
Net operating loss carryforwards	12,729	15,077
Insurance reserves	5,844	3,131
Bad debts	601	482
Other	500	-
Total deferred tax assets	19,674	18,690
Asset valuation allowance	(6,350)	(4,727)
Net deferred tax assets	$4,299	$ -

The components of the (benefit) provision are:

	1999	1998	1997
Current - Federal	$ 9	$ 145	$ 138
Deferred - Federal	(6,997)	-	-
Total	$(6,988)	$ 145	$ 138

At December 31, 1999, the Company has regular federal net operating loss carryforwards of approximately $36,400 expiring generally between 2002 and 2010.

As of December 31, 1999 and 1998, a valuation allowance of $6,350 and $4,727 has been established for deferred income tax benefits relating to net operating loss carryforwards that may not be realized. The increase in this allowance is due primarily to the recognition of deferred tax liabilities of $4,219 arising from the tax effect of unrealized investment gains on available-for-sale securities, offset by a decrease of $2,778 due to a change in judgment relating to the realizability of deferred income tax benefits attributable to net operating loss carryforwards. Until the end of 1999, the Company established a full valuation allowance against these deferred income tax benefits as they were not considered realizable from expected future reversals of existing taxable temporary differences. The Company believed that it was more likely than not that the net deferred income tax benefits would not be realized through future taxable income prior to the expiration dates of net operating loss carryforwards. However, with the acquisition of Association Casualty and several years of profitability, the Company believes it is now more likely than not that a portion of its net deferred income tax benefits relating to net operating loss carryforwards scheduled to expire between 2006 and 2010 will be realized based on future taxable income. Management also can and would implement tax-planning strategies to prevent these carryforwards from expiring. As of December 31, 1999, a valuation allowance has been established for deferred income tax benefits relating to net operating loss carryforwards scheduled to expire between 2002 and 2003. Since the Company's ability to generate taxable income from operations and utilize available tax-planning strategies in the near term is dependent upon various factors, many of which are beyond management's control, management believes that it is more likely than not that the deferred income tax benefits relating to these carryforwards will not be realized. However, realization of the remaining deferred income tax benefits will be assessed periodically based on the Company's current and anticipated results of operations and amounts could increase or decrease in the near term if estimates of future taxable income change. The Company has formal tax-sharing agreements and files a consolidated income tax return with its subsidiaries.

NOTE 6. CREDIT ARRANGEMENTS

During 1999, the Company entered into a five-year revolving credit facility that provides for borrowings up to $30,000. The interest rate on the borrowings under the facility may be fixed, at the Company's option, for a period of one,six or twelve months and is based upon the London Interbank Offered Rate ("LIBOR") plus an applicable margin, 2.0% at December 31, 1999. The margin varies based upon the Company's leverage ratio (debt to total capitalization, as defined) and ranges from 1.00% to 2.50%. Interest on the revolving credit facility is payable monthly. The credit facility provides for the payment of all of the outstanding principal balance at June 30, 2004 with no required principal payments prior to that time. The interest rate on this facility at December 31, 1999 was 8.49%.

During 1999, the Company also issued $25,000 of Series 1999, Variable Rate Demand Bonds (the "Bonds") due July 1, 2009 through a private placement. The Bonds, which are redeemable at the Company's option, pay a variable interest rate that approximates 30-day LIBOR. The Bonds are backed by a thirteen-month letter of credit issued by Wachovia Bank, N.A. The cost of the letter of credit and its associated fees are 1.80% making the effective rate on the Bonds LIBOR plus 1.80% at December 31, 1999. The interest on the Bonds is payable monthly and the letter of credit fees are payable quarterly. The interest rate on the

Bonds, along with the related fees, at December 31, 1999 was 8.29%.The Bonds do not require the repayment of any principal prior to maturity.

The Company is required, under both instruments, to maintain certain covenants including, among others, ratios that relate funded debt to total capitalization and cash flows as well as cash flows to debt service requirements. The Company must also comply with limitations on capital expenditures and additional debt obligations. At September 30, 1999 and December 31, 1999, the Company was in violation of three of its debt covenants, specifically the ratios of debt to total capitalization, earnings before interest, taxes, depreciation and amortization ("EBITDA") to interest and funded debt to EBITDA. The company has received a waiver of these covenants from Wachovia Bank, N.A. for both periods.

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

At December 31, 1998, the company had $26,000 outstanding under a note payable to Wachovia Bank, N.A. maturing December 31, 2000. $25,000 of this note was paid off with the proceeds from the bonds. The remaining $1,000 was paid off using proceeds from the revolving credit facility. There were no prepayment penalties or other costs associated with the disposition of the note.

NOTE 7. ACQUISITIONS

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

The following summarizes the Company's pro-forma unaudited results of operations for the years ended December 31, 1999 and 1998 assuming the purchase of ACIC and ARMGA had been consummated as of January 1, 1998:

	Consolidated 1999	1998
Revenue	$136,459	$121,268
Net income	$ 9,656	$11,426
Per common share data		
Basic earnings per common share	$ .40	$ .48
Diluted earnings per common share	$ .39	$ .45

This pro-forma financial information has been prepared for informational purposes only and is not necessarily indicative of the results of operations had the transaction been consummated on January 1, 1998, nor is it indicative of results of operations that may be obtained in the future.

In connection with the acquisitions of ACIC and ARMGA the following assets and liabilities were acquired.

Cash, including short-term investments	$ 6,270
Investments	30,276
Goodwill	16,914
Receivables	17,773
Other assets	2,691
Total assets	73,924
Insurance reserves and policy funds	38,450
Other liabilities	2,516
Total liabilities	40,966
Purchase price	$ 32,958

On October 1, 1997, the Company acquired 100% of the outstanding stock of American Independent Life Insurance Company ("American Independent") for approximately $2,700 in cash. During 1999, American Independent was merged into the Company's other life and health insurance company, Banker's Fidelity. On October 28, 1997, the Company acquired 100% of the outstanding stock of SIA, Inc. for approximately $1,300 in common stock of the Company. The results of operations of American Independent and SIA, Inc. are included in the consolidated results of operations as of their dates of acquisition. The acquisitions of American Independent and SIA, Inc. were both accounted for using the purchase method of accounting and were not material to the financial position or results of operations of the Company in 1997. Had both companies been included in the consolidated financial statements for the earliest year presented, their impact on the consolidated results of operations would not have been material.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Litigation

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

Operating Lease Commitments

The Company's rental expense, including common area charges, for operating leases was $1,271, $1,188, and $1,178 in 1999, 1998, and 1997 respectively. The Company's future minimum lease obligations under non-cancelable operating leases are as follows:

Year Ending December 31,	
2000	$ 1,291
2001	1,025
2002	825
2003	735
2004	723
Thereafter	1,752
Total	$ 6,351

NOTE 9. Employee benefit plans

Stock Options

In accordance with the Company's 1992 Incentive Plan, the Board of Directors may grant up to 1,800,000 stock options or share awards. The Board of Directors may grant: (a) incentive stock options within the meaning of Section 422 of the Internal Revenue Code; (b) non-qualified stock options; (c) performance units; (d) awards of restricted shares of the Company's common stock; or (e) all or any combination of the foregoing to officers and key employees. Options granted under this plan expire five years from the date of grant. Vesting occurs at 50% upon issuance of an option, and the remaining portion is vested at 25% increments in each of the following two years. In accordance with the Company's 1996 Director Stock Option Plan, a maximum of 200,000 stock options may be granted that fully vest six months after the grant date. As of December 31, 1999, an aggregate of sixty-seven employees, officers and directors held options under the two plans.

A summary of the status of the Company's stock option plans at December 31, 1999 and 1998, is as follows:

	1999		1998	
	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price
Options outstanding, beginning of year	1,154,900	$ 3.20	870,400	$ 3.11
Options granted	129,500	3.89	338,000	3.80
Options exercised	(74,500)	1.92	(50,000)	2.24
Options canceled or expired	(39,900)	3.56	(3,500)	3.93
Options outstanding, end of year	1,170,000	3.34	1,154,900	3.20
Options exercisable	1,026,750	3.28	900,525	3.04
Options available for future grant	519,150		608,750	

The Company does not recognize compensation cost since the option price approximates fair value on the date of grant. If compensation cost had been recognized, the Company's net income and earnings per share would have been as follows:

	1999	1998	1997
Net income:			
As reported	$ 10,910	$ 8,558	$ 8,033
Pro forma	10,477	8,082	7,787
Basic earnings per common share:			
As reported	$ .48	$ .37	$ .35
Pro forma	.46	.35	.34
Diluted earnings per common share:			
As reported	$ .46	$ .37	$ .35
Pro forma	.44	.35	.34

The resulting pro forma compensation cost may not be representative of that to be expected in future years.

	Outstanding			Exercisable	
Range of Exercise Price	Number of Options	Weighted Average Remaining Life	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$2.00 to $2.50	340,000	1.03	$2.42	340,000	$2.42
$2.51 to $3.00	15,000	2.45	$3.00	15,000	$3.00
$3.01 to $3.50	67,500	2.01	$3.22	67,500	$3.22
$3.51 to $4.00	731,500	3.55	$3.77	593,250	$3.76
$4.01 to $4.50	11,000	3.87	$4.27	6,000	$4.44
$ 4.51 to $5.00	5,000	3.57	$4.94	5,000	$4.94
	1,170,000			1,026,750	

The weighted average fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model and was $1.73 and $1.67 for grants in 1999 and 1998, respectively. Fair value determinations were based on expected dividend yields of zero, expected lives of 5 years, risk free interest rates of 6.36% and 4.56%, and expected volatility of 39.97% and 42.61%, for the years ended December 31, 1999 and 1998, respectively.

401(k) Plan

The Company initiated an employees' savings plan under Section 401(k) of the Internal Revenue Code in May 1995. The plan covers substantially all of the Company's employees, except employees of American Southern and Association Casualty. The Company previously had a profit sharing plan for its employees which was subsequently amended and restated to comply with the Section 401(k) provisions. Under the plan, employees generally may elect to contribute up to 16% of their compensation to the plan. 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 is in Company stock and with a value of approximately $133, $125, and $103 in 1999, 1998, and 1997, respectively. Association Casualty has a comparable savings plan covering substantially all of its employees.

Defined Benefit Pension Plans

The Company has two defined benefit pension plans covering the employees of American Southern. The Company's general funding policy is to contribute annually the maximum amount that can be deducted for income tax purposes.

Net periodic pension cost for American Southern's qualified and non-qualified defined benefit plans for the years ended December 31, 1999, 1998, and 1997 included the following components:

	1999	1998	1997
Service cost	$134	$131	$102
Interest cost	232	241	221
Expected return on plan assets	(219)	(198)	(187)
Net amortization	(27)	19	9
	$120	$193	$145

The following assumptions were used to measure the projected benefit obligation for the benefit plans at December 31, 1999, 1998, and 1997:

	1999	1998	1997
Discount rate to determine the projected benefit obligation	8.00%	6.75%	7.25%
Expected long-term rate of return on plan assets used to determine net periodic pension cost	8.00%	8.00%	8.00%
Projected annual salary increases	4.50%	4.50%	6.00%

The following table sets forth the benefit plans' funded status at December 31, 1999 and 1998:

	1999	1998
Change in Benefit Obligation		
Net benefit obligation at beginning of year	$ 3,452	$ 3,280
Service cost	134	131
Interest cost	232	241
Actuarial (gain) loss	(699)	(132)
Gross benefits paid	(196)	(68)
Net benefit obligation at end of year	$ 2,923	$ 3,452
Change in Plan Assets		
Fair value of plan assets at beginning of year	$ 2,778	$ 2,508
Actual return on plan assets	(36)	338
Gross benefits paid	(66)	(68)
Fair value of plan assets at end of year	$ 2,676	$2,778
Funded Status of Plan		
Funded status at end of year	$ (247)	$ (674)
Unrecognized net actuarial loss	(201)	213
Unrecognized prior service cost	(327)	(363)
Unrecognized net transition obligation	330	368
Net amount recognized at end of year	$ (445)	$ (456)
Amounts recognized in the statement of financial position consist of:		
Prepaid benefit cost	$ -	$30
Accrued benefit cost	(445)	(486)
Additional minimum liability	-	(29)
Net amount recognized at end of year	$ (445)	$(485)

Included in the above is one plan which is unfunded. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for this plan were $445, $256, and $0 respectively as of December 31, 1999 and $761, $515, and $0 as of December 31, 1998.

NOTE 10. PREFERRED STOCK

Annual dividends on the Series B Preferred Stock 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 rate of $3.99 per share. The Series B Preferred Stock is redeemable at the option of the Company.

NOTE 11. EARNINGS PER COMMON SHARE

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

	For the Year Ended December 31, 1999		
	Income	Shares	Per Share Amount
Basic Earnings Per Common Share			
Net income before preferred stock divdends	$ 10,910	20,030	
Less preferred dividends	(1,206)	-	
Net income available to common shareholders	9,704	20,030	$ .48
Diluted Earnings Per Common Share			
Effect of dilutive stock options	-	122	
Effect of Series B Preferred Stock	1,206	3,358	
Net income available to common shareholders plus assumed conversions	$ 10,910	23,510	$ .46

	For the Year Ended December 31, 1998		
	Income	Shares	Per Share Amount
Basic Earnings Per Common Share			
Net income before preferred stock dividends	$ 8,558	18,803	
Less preferred dividends	(1,521)	-	
Net income available to common shareholders	7,037	18,803	$ .37
Diluted Earnings Per Common Share			
Effect of dilutive stock options	-	271	
Effect of Series B Preferred Stock	1,206	3,358	
Net income available to common shareholders plus assumed conversions	$ 8,243	22,432	$ .37

	For the Year Ended December 31, 1997		
	Income	Shares	Per Share Amount
Basic Earnings Per Common Share			
Net income before preferred stock dividends	$ 8,033	18,667	
Less preferred dividends	(1,521)	-	
	6,512	18,667	
Net income available to common shareholders			$ .35
Diluted Earnings Per Common Share			
Effect of dilutive stock	-	175	

options			
Net income available to common shareholders plus assumed conversions	$ 6,512	18,842	$ .35

Outstanding stock options of 748,000 were excluded from the earnings per common share calculation in 1999 since their impact was antidilutive. The assumed conversion of the Series A Preferred Stock was excluded from the above earnings per common share calculations for 1998 and 1997 since its impact was antidilutive. The assumed conversion of the Series B Preferred Stock was excluded from the earnings per common share calculation for 1997 since its impact was antidilutive.

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 SAP: (i) certain assets that are non-admitted 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; and (v) valuation allowances are established against investments.

The amount of statutory net income and surplus (shareholders' equity) for the insurance subsidiaries for the years ended December 31 were as follows:

	1999	1998	1997
Life and Health, net income	$2,866	$1,477	$ 2,523
Property and Casualty, net income	3,909	7,098	6,694
Statutory net income	$6,775	$8,575	$ 9,217
Life and Health, surplus	$26,462	$ 25,998	$ 26,517
Property and Casualty, surplu	62,145*	49,492	48,032
Total surplus	$88,607	$75,490	$74,549

[FN]
*Includes $16,018 attributable to ACIC, which was acquired in 1999.

Under the insurance code of the state of jurisdiction under which each insurance subsidiary operates, dividend payments to the Company by its insurance subsidiaries are subject to certain limitations without the prior approval of the Insurance Commissioner. The Company received dividends of $5,406 and $7,054 in 1999 and 1998, respectively, from its insurance subsidiaries. In 2000, dividend payments by the insurance subsidiaries in excess of $6,973 would require prior approval.

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 from time to time. These transactions include leasing of office space, investing and financing. A brief description of each of these is discussed below.

The Company leases approximately 65,489 square feet of office and covered garage space from an affiliated company. In the years ended December 31, 1999, 1998, and 1997, the Company paid $898, $895 and $900, respectively, under the leases.

Financing for the Company has been provided through affiliates of the Company or its Chairman, in the form of the Series B Preferred Stock.

The Company has made mortgage loans to finance properties owned by its former subsidiary, Leath Furniture, LLC ("Leath"), which is now owned by an affiliate of the Chairman. At December 31, 1999 and 1998, the balance of mortgage loans owed by Leath to various of the Company's insurance subsidiaries was $3,645 and $3,845, respectively. For 1999, 1998, and 1997, interest on the mortgage loans totaled $352, $373, and $521, respectively.

Certain members of management are on the Board of Directors of Bull Run Corporation ("Bull Run") and Gray Communications Systems, Inc. ("Gray"). At December 31, 1999 and 1998, the Company owned 620,000 common shares of Bull Run and 354,060 shares of Gray Series A Common Stock and 6,000 shares of Gray Series B Common Stock. The Company also held $1,500 in Gray 10.625% debentures at December 31, 1999 and 1998.

Delta Life Insurance Company ("Delta Life"), which is controlled by certain affiliates of the Company, purchases credit life insurance policies with face amounts greater than $50 from Bankers Fidelity. Bankers Fidelity receives premiums for these policies from Delta Life and pays benefits directly to policyholders. At December 31, 1999 and 1998, the face amount of these policies was $350 and $586, respectively, and the reserve balance was $4 and $8, respectively.

In 1998, Georgia Casualty began assuming workers' compensation premiums from

Delta Fire & Casualty Insurance Company which is controlled by certain affiliates of the Company. Premiums assumed and commissions paid in 1999 were $1,691 and $232, respectively, and in 1998 were $456 and $62, respectively.

NOTE 14. SEGMENT INFORMATION

The Company's primary insurance subsidiaries operate with relative autonomy and each company is evaluated based on its individual performance. American Southern, Association Casualty, and Georgia Casualty operate in the Property and Casualty insurance market, while Bankers Fidelity operates in the Life and Health insurance market. All segments derive revenue from the collection of premiums, as well as from investment income. Substantially all revenue other than those in the corporate and other segment are from external sources. One account at American Southern, with the State of South Carolina, accounted for approximately $15,064, $14,403, and $15,900 of total revenue in 1999, 1998 and 1997, respectively.

	American Southern	Georgia Casualty	Bankers Fidelity	Association Casualty	Corporate & Other	Adjustments & Eliminations	Consolidated
As of December 31, 1999							
Insurance premiums	$38,166	$19,403	$41,527	$ 8,498	$ -	$ -	$ 107,594
Investment income, Including realized gains	4,587	3,759	5,984	1,134	656	(412)	15,708
Other income	173	52	-	365	5,573	(4,991)	1,172
Total revenue	42,926	23,214	47,511	9,997	6,229	(5,403)	124,474
Insurance benefits and losses incurred	26,934	16,535	28,313	5,781	-	-	77,563
Expenses deferred	(5,091)	(4,026)	(3,437)	(1,449)	-	-	(14,003)
Amortization expense	5,429	3,893	2,068	1,852	140	-	13,382
Other expenses	9,318	8,083	16,585	3,512	11,515	(5,403)	43,610
Total expenses	36,590	24,485	43,529	9,696	11,655	(5,403)	120,552
Income (loss) before income taxes	$ 6,336	$ (1,271)	$ 3,982	$ 301	$ (5,426)	$ -	$ 3,922
Total assets	$ 99,421	$ 70,207	$100,702	$ 73,912	$ 137,828	$ (130,926)	$ 351,144

	American Southern	Georgia Casualty	Bankers Fidelity	Corporate & Other	Adjustments &Eliminations	Consolidated
As of December 31, 1998						
Insurance premiums	$35,002	$ 21,813	$ 34,477	$ -	$ -	$ 91,292
Investment income, including realized gains	4,503	3,113	5,572	1,158	62	14,408
Other income	243	44	-	4,230	(4,151)	366
Total revenue	39,748	24,970	40,049	5,388	(4,089)	106,066
Insurance benefits and losses incurred	23,135	16,216	21,494	-	-	60,845
Expenses deferred	(4,378)	(3,945)	(2,764)	-	-	(11,087)
Amortization expense	5,303	4,142	2,518	-	-	11,963
Other expenses	9,006	7,062	15,251	8,412	(4,089)	35,642
Total expenses	33,066	23,475	36,499	8,412	(4,089)	97,363
Income (loss) before income taxes	$ 6,682	$ 1,495	$ 3,550	$(3,024)	$ -	$ 8,703
Total assets	$101,522	$65,147	$102,637	$ 114,412	$ (110,587)	$ 273,131
As of December 31, 1997						
Insurance premiums	$41,799	$ 19,916	$ 26,967	$ -	$ -	$ 88,682
Investment income, including realized gains	4,353	2,811	5,175	47	(54)	12,332
Other income	154	45	-	3,843	(3,841)	201
Total revenue	46,306	22,772	32,142	3,890	(3,895)	101,215
Insurance benefits and losses incurred	30,182	15,260	15,576	-	-	61,018
Expenses deferred	(4,549)	(3,342)	(3,117)	-	-	(11,008)
Amortization expense	5,405	3,152	2,268	-	-	10,825

Other expenses	9,073	6,006	12,837	8,188	(3,895)	32,209
Total expenses	40,111	21,076	27,564	8,188	(3,895)	93,044
Income (loss) before income taxes	$ 6,195	$ 1,696	$ 4,578	$ (4,298)	$ -	$ 8,171
Total assets	$102,529	$65,464	$99,591	$111,388	$(107,112)	$ 271,860

NOTE 15. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is necessary to interpret market data and to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts which the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

	1999		1998	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents, including short-term investments	$ 34,306	$ 34,306	$32,385	$32,385
Bonds	137,000	137,000	99,341	99,341
Common and preferred stocks	48,684	48,684	61,007	61,007
Mortgage loans	3,645	4,237	3,851	4,949
Policy and student loans	3,749	3,749	4,268	4,268
Other invested assets	5,717	5,717	4,822	4,822
Liabilities:				
Debt	51,000	51,000	26,000	26,000

The fair value estimates as of December 31, 1999 and 1998 are based on pertinent information available to management as of the respective dates. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from amounts that might ultimately be realized.

The following describes the methods and assumptions used by the Company in estimating fair values:

Cash and Cash Equivalents, including Short-term Investments

The carrying amount approximates fair value due to the short-term nature of the instruments.

Bonds, Common and Preferred Stocks and Publicly Traded Other Invested Assets

The carrying amount is determined in accordance with methods prescribed by the 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 market quotations do not exist.

Non-publicly Traded Invested Assets

The carrying amount approximates fair value.

Mortgage Loans

The fair values are estimated based on quoted market prices for those or similar investments.

Debt Payable

The fair value 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 returns and remaining maturities.

NOTE 16. RECONCILIATION OF OTHER COMPREHENSIVE INCOME

The Company's comprehensive income consists of net income and unrealized gains and losses on securities available for sale, net of applicable income taxes.

Other than net income, the other components of comprehensive income for the years ended December 31, 1999, 1998 and 1997 are as follows:

	December 31,		
	1999	1998	1997
Gain on the sale of securities included in net income	$ 2,831	$ 2,909	$ 1,076
Other comprehensive income (loss):			
Net pre-tax unrealized (loss) gain arising during year	$(13,900)	$ 2,197	$12,861
Reclassification adjustment	(2,831)	(2,909)	(1,076)
Net pre-tax unrealized (loss) gain recognized in other comprehensive income (loss)	(16,731)	(712)	11,785
Deferred income tax expense attributable to			

other comprehensive income (loss)	(4,219)	-	-
Net unrealized (loss) gain recognized in other comprehensive income (loss)	$ (20,950)	$ (712)	$ 11,785

NOTE 17. 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, 1999 and 1998:

	1999				1998			
	First Quarter	Second Quarter	Third Quarter (1)	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$27,337	$ 27,979	$33,436	$35,722	$ 26,512	$26,039	$26,795	$ 26,720
Income (loss):								
Income (loss) before income tax(provision) benefit	$ 1,480	$ 668	$ (638)	$ 2,412	$ 1,625	$ 1,905	$2,854	$ 2,319
Income tax (provision) benefit	(27)	(17)	(49)	7,081	(26)	(106)	8	(21)
Net income (loss)	$ 1,453	$651	$(687)	$9,493	$ 1,599	$1,799	$ 2,862	$ 2,298
Per common share data:								
Basic net income (loss) per share	$ .06	$.02	$ (.05)	$ .44	$ .06	$ .08	$ .13	$ .10
Diluted net income (loss) per share	$ .06	$ .02	$ (.05)	$ .39	$ .06	$ .08	$ .13	$ .10

(1) Association Casualty was acquired on July 1, 1999 and is included in consolidated results of operations from that date.

MANAGEMENT DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITIONS 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 December 31, 1999 and 1998 and for each of the three years in the period ended December 31, 1999. This discussion should be read in conjunction with the consolidated financial statements and notes thereto.

Atlantic American is an insurance holding company whose operations are conducted through a group of regional insurance companies: American Southern Insurance Company and American Safety Insurance Company (together known 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 separately based upon the geographic location or the type of products it underwrites.

Overall Corporate Results
(dollars in thousands)

Revenues

	1999	1998	1997
Property and Casualty:			
American Southern	$ 42,926	$ 39,748	$46,306
Association Casualty	9,997	-	-
Georgia Casualty	23,214	24,970	22,772
Total property and casualty	76,137	64,718	69,078
Life and Health:			
Bankers Fidelity	47,511	40,049	32,142
Corporate and Other	826	1,299	(5)
Total Revenues	$ 124,474	$106,066	$101,215

Income before taxes

	1999	1998	1997
Property and Casualty:			
American Southern	$ 6,336	$ 6,682	$ 6,195
Association Casualty	301	-	-
Georgia Casualty	(1,271)	1,495	1,696
Total property and casualty	5,366	8,177	7,891
Life and Health:			
Bankers Fidelity	3,982	3,550	4,578
Corporate and Other	(5,426)	(3,024)	(4,298)
Total income before taxes	$ 3,922	$ 8,703	$ 8,171

On a consolidated basis the Company's net income for 1999 was $10.9 million ($.46 per diluted share) compared to net income of $8.6 million ($.37 per diluted share) in 1998 and net income of $8.0 million ($.35 per diluted share) in 1997. Net income for 1999 was favorably impacted by a $7.0 million deferred tax benefit related to the Company's valuation allowance that had previously been established against its net deferred tax asset, specifically relating to prior year net operating loss carryforwards. The decline in pre-tax net income for 1999 was due primarily to unsatisfactory underwriting results in Georgia Casualty. Excluding Georgia Casualty, all of the Company's operating units reported profitable results. A more detailed analysis of the individual operating entities and other corporate activities is provided in the following discussion.

UNDERWRITING RESULTS

American Southern

The following table summarizes American Southern's premiums and underwriting ratios (dollars in thousands):

	1999	1998	1997
Gross written premiums	$ 44,070	$ 39,084	$ 44,322
Ceded premiums	(5,540)	(5,215)	(6,040)
Net written premiums	$ 38,530	$ 33,869	$ 38,282
Net earned premiums	$ 38,166	$ 35,002	$ 41,799
Net losses and loss adjustment expenses	26,934	23,135	30,182
Underwriting expenses	9,656	9,931	9,929
Underwriting income	$ 1,576	$ 1,936	$ 1,688
Loss ratio	70.6%	66.1%	72.2%
Expense ratio	25.3%	28.4%	23.8%
Combined ratio	95.9%	94.5%	96.0%

Gross written premiums at American Southern increased $5.0 million during 1999 principally as a result of business produced by American Auto Club Insurance Agency, a joint venture between American Southern and the AAA of the Carolinas Motor Club. American Southern holds a 50% interest in the joint venture and underwrites the majority of the standard automobile business written by the agency. This program, which began writing business in 1999, had gross written premiums of approximately $5.0 million for the year.

During 1998, American Southern decided to exit some smaller lines of business where profits were below expectations, and as a result earned premiums declined 16% in 1998. Additionally in 1998, American Southern's premiums were impacted by a decrease in the net rate charged for one of its large block accounts.

The following table presents a break out of American Southern's earned premiums by line of business (dollars in thousands):

	1999	1998	1997
Automobile liability	$ 24,573	$23,396	$30,909
Automobile physical damage	6,112	4,288	4,508
General liability	4,302	4,291	3,116
Property	3,118	2,970	3,206
Surety	61	57	60
Total earned premium	$ 38,166	$ 35,002	$ 41,799

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 the first half of 2000. American Southern has prepared 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 bids 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 American Southern will be unable to renew this account. 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 performance of an insurance company is often measured by a combined ratio. The combined ratio represents the percentage of losses and other expenses that are incurred for each dollar of premium earned by the company. A combined ratio of under 100% represents an underwriting profit while a combined ratio of over 100% indicates an underwriting loss. The combined ratio is divided into two components, the loss ratio (the ratio of losses incurred to premiums earned) and the expense ratio (the ratio of expenses incurred to premiums earned).

The combined ratio for American Southern for 1999 was 95.9% up slightly from the 1998 combined ratio of 94.5%. The loss ratio increased to 70.6% in 1999 from 66.1% in 1998. The increase in the loss ratio is a result of higher than anticipated losses on the personal auto line of business. The Carolinas, where the personal auto business is produced, was hit by a large number of significant storms during 1999. In 1998, American Southern was impacted by favorable development on past accident years that resulted in a loss ratio lower than normally anticipated. The expense ratio for 1999 is down from 28.4% in 1998 to 25.3%. This decrease in the expense ratio is a direct result of American Southern's business structure. 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, commission and underwriting expenses decrease.

Association Casualty

The following table summarizes Association Casualty's premiums and losses (dollars in thousands):

	1999
Gross written premium	$ 9,299
Ceded premiums	(775)
Net written premiums	$ 8,524
Net earned premiums	$ 8,498
Net losses and loss adjustment expenses	5,781
Underwriting expenses	3,915
Underwriting loss	$ (1,198)
Loss ratio	68.0%
Expense ratio	46.1%
Combined ratio	114.1%

Association Casualty was acquired on July 1, 1999 and its performance since that date has been included in the consolidated operating results of Atlantic American. While premium revenues were in line with expectations, both the loss ratio and the expense ratio for Association Casualty, were higher than is desired by management. Since the acquisition, the loss ratio has been impacted by the extremely competitive insurance market place in Texas, where Association Casualty operates. In addition, higher than expected significant claims contributed to the increase. The competitive market has driven down premiums and as a result pushed up both the loss and expense ratios.

The expense ratio has also been impacted by an effort to expand the product offerings of Association Casualty. Currently, Association Casualty operates as a monoline carrier offering primarily workers' compensation coverage. Since the acquisition, management has been working toward offering products such as general liability and property that will complement the company's existing book of business.

Georgia Casualty

The following table summarizes Georgia Casualty's premiums and losses (dollars in thousands):

	1999	1998	1997
Gross written premiums	$ 26,798	$ 24,468	$25,217
Ceded premiums	(5,928)	(3,203)	(2,938)
Net written premiums	$ 20,870	$21,265	$22,279
Net earned premiums	$ 19,403	$21,813	$19,916
Net losses and loss adjustment expenses	16,535	16,216	15,260
Underwriting expenses	7,950	7,259	5,816
Underwriting loss	$ (5,082)	$ (1,662)	$(1,160)
Loss ratio	85.2%	74.3%	76.6%
Expense ratio	41.0%	33.3%	29.2%
Combined ratio	126.2%	107.6%	105.8%

Gross written premiums at Georgia Casualty increased $2.3 million during 1999 principally as a result of a new management team. During 1999, Georgia Casualty hired a new president to oversee its operations. In addition, several new experienced underwriters were added to the staff. The new business relationships brought in by these employees is the primary cause of the growth in premiums. This increase follows a $749,000 decrease from 1998 to 1997 that was principally caused by declining premium rates.

The increase in gross written premiums at Georgia Casualty was offset by a $2.7 million increase in ceded premiums. During 1999, Georgia Casualty entered into a stop-loss reinsurance program which reinsures Georgia Casualty for all losses in the 1999 accident year that, in the aggregate, fall between 55% and 75% of net earned premiums, before the impact of the premium ceded under the treaty. Total premiums ceded under this treaty in 1999 were $2.7 million. The treaty was put into place to help insulate Georgia Casualty against two underwriting programs, one insuring short-haul logging truckers and the other providing property coverage to the poultry industry. Both of these programs were terminated during 1999. This treaty also served to insulate Georgia Casualty from the impact of reduced premium rates on its remaining book of business.

The decline in net earned premiums of $2.4 million in 1999 is the result of the decline in net written premiums coupled with the impact of the timing of premium writings. Georgia Casualty experienced a significant increase in written premiums in the fourth quarter of 1999, up $763,000 over the fourth quarter of 1998. This increase in writings will not be fully reflected in earned premium until 2000.

The following table presents a break out of Georgia Casualty's earned premiums by line of business (dollars in thousands):

	1999	1998	1997
Workers' compensation	$ 13,157	$ 14,344	$ 12,841
Business automobile	2,876	3,750	4,031
General liability	1,251	1,619	1,387
Property	2,119	2,100	1,657
Total earned premium	$ 19,403	$ 21,813	$ 19,916

The combined ratio for Georgia Casualty for 1999 increased to 126.2% from 107.6% in 1998. Both components of the combined ratio, the loss ratio and the expense ratio increased over the prior year. The loss ratio increased from 74.3% in 1998 to 85.2% in 1999. The increase in the loss ratio is principally the result of adverse development of prior year losses. During 1999, the estimate for losses incurred in 1998 and prior years increased $2.6 million. The increase in the expense ratio from 33.3% to 41.0% is the result of the impact of the stop-loss reinsurance treaty. The reduction of premium as a result of the stop-loss reinsurance program resulted in an increase of the expense ratio from 35.9% to 41.0%. The remaining increase in the expense ratio results from increased operating costs associated with the hiring of a new management team to oversee the operations of Georgia Casualty.

Bankers Fidelity

The following summarizes Bankers Fidelity's premiums and operating results (dollars in thousands):

Premiums

	1999	1998	1997
Medicare supplement	$ 25,822	$ 19,743	$ 12,534
Other health products	3,206	2,986	3,980
Life insurance	12,499	11,748	10,453
Total premiums	$ 41,527	$ 34,477	$ 26,967

Operating Expenses

	1999	1998	1997
Insurance benefits and losses	$ 28,313	$ 21,494	$ 15,576
Commissions and underwriting expenses	15,216	15,005	11,988
Total expenses	$ 43,529	$ 36,499	$ 27,564

Premium revenue at Bankers Fidelity is up 20.4% over 1998 results. The largest increase is in the Medicare supplement line of business, which is up 30.8% for the year. This increase has come from a focused marketing campaign over the past two years as well as expansion into a new sales region in 1999. In addition, several of Bankers Fidelity's competitors have exited this line of business which has increased the flow of business to Bankers Fidelity. During 1999, in order to maintain adequate margins on its products, Bankers Fidelity decreased the commission it pays its agents on several of its Medicare Supplement products. As a result, agents have begun placing less business with the company and the growth in premiums has slowed. The increase in premium volume in 1998 was the result of strong internal growth compounded by the acquisition of American Independent in late 1997 which added $3.0 million in earned premium in 1998. During 1999, Bankers Fidelity also increased its focus on its life insurance products and as a result, Bankers Fidelity generated an increase of 6.4% in this line of business.

Insurance benefits and losses at Bankers Fidelity increased 31.7% during 1999. This increase is primarily attributable to the increase in premium volume. However, the growth in insurance benefits and losses has outpaced the growth in premiums. This is principally the result of a delay in the implementation of rate increases, predominately on Bankers Fidelity's Medicare supplement products, caused by a lengthening state approval process. As of the end of 1999, Bankers Fidelity had received all of the rate increases it required to maintain a satisfactory profit on its Medicare supplement business.

Commission expense for the year decreased 5.3%. This decrease is a result of a reduction in commission rates on several of Bankers Fidelity's primary health products. As a percent of premium, commission expense declined to 11.9% from 15.1% in 1998.

General expenses at Bankers Fidelity are up only 4.9%. As a percent of premium volume this represents a decline from 25.4% to 22.2%. The decrease in general expenses, as a percent of premiums is the result of an effort to streamline the operations at Bankers Fidelity. This is an ongoing effort that has to date yielded approximately $1.0 million in annualized savings.

INVESTMENT INCOME AND REALIZED GAINS

Investment income for the year of $12.9 million represents an increase of 12.0% or $1.4 million over 1998 results. The inclusion of Association Casualty in 1999 is responsible for $1.2 million of this increase. The remaining increase is the result of an increase in invested assets at Atlantic American's other subsidiaries. The acquisition of Association Casualty added over $30 million to the investment portfolio of Atlantic American. Investment income increased 2% in 1998 due to an increase in invested assets that was offset by declining interest rates and a flat yield curve. Management has continued to focus on investing in short- and medium-maturity bonds of high quality, in addition to government-back securities. The common and preferred stock portfolio of Atlantic American decreased $12.3 million during the year due to declines in the trading prices of several of its investments. As a result of this and the impact of rising interest rates on the Company's bond portfolio, unrealized investment gains declined from $28.8 million to $12.1 million during 1999.

Realized investment gains decreased slightly to $2.8 million in 1999, after increasing $1.8 million in 1998 to $2.9 million. Management is continually evaluating the Company's investment portfolio and will periodically divest appreciated investments as deemed appropriate.

INTEREST EXPENSE

Interest expense for 1999 increased from $2.1 million in 1998 to $2.8 million in 1999. In conjunction with the acquisition of Association Casualty, the Company entered into a $30.0 million revolving credit facility with Wachovia Bank, N.A. To date, the Company has drawn down $26.0 million on this facility. This facility, coupled with the $25 million variable rate demand bonds issued during the second quarter of 1999, brings 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 revolving credit facility and the bonds is tied to 30 day LIBOR. During 1998, interest expense decreased $800,000 due to a reduction in debt as well as a decline in the interest rate on the debt.

OTHER EXPENSES

The increase in other operating expenses is primarily attributable to the acquisition of Association Casualty which accounts for $2.8 million of the $4.2 million increase. The remaining increase of $1.4 million is the result of several nonrecurring expenses including the hiring of a consulting group to assist the Company in streamlining its operations and the cost associated with the search for and relocation of a new management team for Georgia Casualty. Operating expenses increased $1.1 million in 1998 due to $300,000 in expenses relating to Year 2000 compliance and an overall increase in general operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

The major cash needs of the Company are for the payment of claims and operating expenses, maintaining adequate statutory capital and surplus levels, and meeting debt service requirements. The Company's primary sources of cash are written premiums, investment income and the sale and maturity of invested assets. In addition, the Company has additional borrowing capacity under its revolving credit facility. The Company believes that, within each subsidiary, total invested assets will be sufficient to satisfy all policy liabilities. Cash flows at the parent company are derived from dividends, management fees, and tax sharing payments from the subsidiaries. The cash needs of the parent company are for the payment of operating expenses, the acquisition of capital assets and debt service requirements.

Dividend payments to the Company by its insurance subsidiaries are subject to annual limitations and are restricted to the accumulated statutory earnings of the individual insurance subsidiaries. At December 31, 1999 the Company's insurance subsidiaries had accumulated statutory earnings $49.2 million.

The Company provides certain administrative, purchasing and other services for each of its subsidiaries. The amount charged to and paid by the subsidiaries was $6.7 million, $6.5 million, and $5.6 million in 1999, 1998, and 1997, respectively. In addition, the Company has formal tax-sharing agreement with each of its insurance subsidiaries. A net total of $2.0 million, $1.9 million and $1.2 million were paid to the Company under the tax sharing agreement in 1999, 1998, and 1997, respectively. Dividends were paid to Atlantic American by one of its subsidiaries totaling $3.6 million in 1999, 1998, and 1997. As a result of the Company's tax loss carryforwards, which totaled approximately $36.4 million at December 31, 1999, it is anticipated that the tax sharing agreement will provide the Company with additional funds with which to meet its cash flow obligations.

During 1999 the Company entered into a five year revolving credit facility that provides for borrowings up to $30,000. The interest rate on the borrowings under the facility may be fixed, at the Company's option, for a period of one, six or twelve months and is based upon the London Interbank Offered Rate ("LIBOR") plus an applicable margin. Interest on the revolving credit facility is payable monthly. The credit facility provides for the payment of all of the outstanding principal balance at June 30, 2004 with no required principal payments prior to that time. The interest rate on this facility at December 31, 1999 was 8.49%.

During 1999, the Company also issued $25,000 of Series 1999, Variable Rate Demand Bonds (the "Bonds") due July 1, 2009 through a private placement. The Bonds, which are redeemable at the Company's option, pay a variable interest rate that approximates 30-day LIBOR. The Bonds are backed by a thirteen-month letter of credit issued by Wachovia Bank, N.A. The interest on the Bonds is payable monthly and the letter of credit fees are payable quarterly. The interest rate on the Bonds, along with the related fees, at December 31, 1999 was 8.29%. The Bonds do not require the repayment of any principal prior to maturity.

The Company is required, under both instruments, to maintain certain covenants including, among others, ratios that relate funded debt to total capitalization and cash flows as well as cash flows to debt service requirements. The Company must also comply with limitations on capital expenditures and additional debt obligations. At September 30, 1999 and December 31, 1999 the Company was in violation of three of its debt covenants, specifically the ratios of debt to total capitalization, earnings before interest, taxes, depreciation and amortization ("EBITDA") to interest, and funded debt to EBITDA. The Company has received a waiver of these covenants from Wachovia Bank, N.A. for both periods.

Subsequent to year-end, the revolving credit facility and letter of credit were both amended by Wachovia Bank, N.A. as a result of the Company's operating performance during 1999. The amendment establishes new covenants pertaining to funded debt, total capitalization and EBITDA. As amended, the margin on the revolving credit facility will be increased to 3.25% from 2.00% and the cost of the letter of credit will be increased to this same level from 1.80%. The margin on the revolving credit facility and the cost of the letter of credit can be reduced if the Company meets certain financial objectives during 2000. The Company expects to be in compliance with all debt covenants for the remainder of 2000.

The Company intends to repay its obligations under both facilities using dividend and tax sharing payments from its subsidiaries. In addition, the Company believes that, if necessary, at maturity, the Revolving Credit Agreement can be refinanced with the current lender and that an additional series of bonds could be issued when the current bonds mature.

The Company also has outstanding $13.4 million of preferred stock issued to affiliates. The preferred stock accrues a dividend at 9.0% per year and at December 31, 1999 the Company had accrued but unpaid dividends on the preferred stock totaling $4.8 million.

Net cash provided by operating activities totaled $5.4 million in 1999 and $5.5 million in 1998 and $8.6 million in 1997. Cash and short-term investments at December 31, 1999 were $35.7 million and are believed to be more than sufficient to meet the Company's near-term needs.

The Company believes that the cash flows it receives from its subsidiaries and, if needed, borrowing 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 ISSUE UPDATE

The Company did not experience any significant malfunctions or errors in its operating or business systems when the date changed from 1999 to 2000. Based on operations since January 1, 2000, the Company does not expect any significant impact to its ongoing business as a result of the "Year 2000 issue." However, it is possible that the full impact of the date change, which was of concern due to computer programs using two digits instead of four digits to define years, has not been fully recognized. For example, it is possible that Year 2000 or similar issues such as leap year-related problems, may occur with billing, payroll, or financial closings at month, quarterly, or year-end. The Company believes that any such problems are likely to be minor and correctable. In addition, the Company could still be negatively affected if its customers or suppliers are adversely affected by the Year 2000 or similar issues. The Company currently is not aware of any significant Year 2000 or similar problems that have arisen for its customers and suppliers.

The Company expended approximately $500,000 on Year 2000 readiness efforts from 1997 through 1999. These efforts included replacing some outdated, noncompliant software and hardware as well as identifying and remediating Year 2000 problems.

NEW ACCOUNTING PRONOUNCEMENTS

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

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 Company attempts, in establishing its premiums, to anticipate the potential impact of inflation. If, for competitive reasons premiums cannot be increased to anticipate inflation, this cost would be absorbed by the Company. Inflation also affects the rate of investment return on the Company's investment portfolio with a corresponding effect on investment income.

INTERST RATE AND MARKET RISK

Due to the nature of the Company's business it is exposed to both interest rate and market risk. Changes in interest rates, which represents the largest risk factor affecting the Company may result in changes in the fair value of the Company's investments, cash flows and interest income and expense. To mitigate this risk, the Company invests in high quality bonds and avoids investing in securities that are directly linked to loans or mortgages.

The Company is also subject to risk from changes in equity prices. Atlantic American owned $18.9 million of common stock of Wachovia Corporation at December 31, 1999. A 10% decrease in the share price of the common stock Wachovia Corporation would result in a decrease of approximately $1.2 million to shareholders' equity.

The interest rate on the Company's debt is tied to LIBOR. A 100 point basis increase in LIBOR would result in an additional $510,000 in interest expense.

The table below summarizes the estimated fair values that might result from changes in interest rates of the Company's bond portfolio:

	+200bp	+100bp	Fair value	-100bp	-200bp
December 31, 1999	$122,815	$128,677	$137,000	$139,704	$143,704
December 31, 1998	$ 88,948	$ 93,243	$ 99,341	$101,323	$104,254

The Company is also subject to risk from changes in equity prices. The table below summarizes the effect that a change in share price would have on the value of the Company's equity portfolio, including the Company's single largest equity holding.

	+20%	+10%	Fair Value	-10%	-20%
December 31, 1999					
Investment in Wachovia Corporation	$22,668	$20,779	$18,890	$17,001	$15,112
Other equity holdings	35,753	32,773	29,794	26,815	23,835
Total equity holdings	$58,421	$53,552	$48,684	$43,816	$38,947
December 31, 1998					
Investment in Wachovia Corporation	$31,247	$28,643	$26,039	$23,435	$20,831
Other equity holdings	41,962	38,465	34,968	31,471	27,974
Total equity holdings	$73,209	$67,108	$61,007	$54,906	$48,805

The interest rate on the Company's debt is variable and tied to LIBOR. The table below summarizes the effect that changes in interest rates would have on the Company's interest expense.

	Interest Expense			Interest Expense	
	+200bp	+100bp	Debt	-100bp	-200bp
December 31, 1999	$1,020	$510	$51,000	$(510)	$(1,020)
December 31, 1998	$ 520	$260	$26,000	$(260)	$ (520)

DEFERRED TAXES

At December 31, 1999, the Company had a net deferred tax asset of $4.3 million comprised of a deferred tax asset of $19.7 million, a deferred tax liability of $9.0 million and a valuation allowance of $6.4 million. The valuation allowance was established against deferred tax assets relating to net operating loss carryforwards that might not be realized.

Until the end of 1999, the Company established a full valuation allowance against these deferred income tax benefits as they were not considered realizable from expected future reversals of existing taxable temporary differences. The Company believed that it was more likely than not that the net deferred income tax benefits would not be realized through future taxable income prior to the expiration dates of net operating loss carryforwards. However, with the acquisition of Association Casualty and several years of profitability, the Company believes it is now more likely than not that a portion of its net deferred income tax benefits relating to net operating loss carryforwards scheduled to expire between 2006 and 2010 will be realized based on future taxable income. Management also can and would implement tax-planning strategies to prevent these carryforwards from expiring. As of December 31, 1999, a valuation allowance has been established for deferred income tax benefits relating to net operating loss carryforwards scheduled to expire between 2002 and 2003. Since the Company's ability to generate taxable income from operations and utilize available tax-planning strategies in the near term is dependent upon various factors, many of which are beyond management's control, management believes that it is more likely than not that the deferred income tax benefits relating to these carryforwards will not be realized. However, realization of the remaining deferred income tax benefits will be assessed periodically based on the Company's current and anticipated results of operations and amounts could increase or decrease in the near term if estimates of future taxable income change. The Company has formal tax-sharing agreement, and files a consolidated income tax return with its subsidiaries.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Atlantic American Corporation:

We have audited the accompanying consolidated balance sheets of Atlantic American Corporation (a Georgia corporation) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. 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 conducted our audits in accordance with auditing standards generally accepted in the United States. 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements (pages 10 through 25) referred to above present fairly, in all material respects, the financial position of Atlantic American Corporation and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
March 24, 2000

MARKET INFORMATION (UNAUDITED)

The common stock of the Company is quoted on the Nasdaq National Market under the symbol "AAME." As of December 31, 1999, the Company had approximately 5,040 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. The Company did not declare or pay cash dividends on its common stock during the year ended December 31, 1999. Since 1988, the Company has retained its earnings to support the growth of its business.

	1999		1998	
	High	Low	High	Low
First quarter	$4 5/8	$3 15/16	$5 1/2	4 5/8
Second quarter	4 11/16	3 7/8	5 1/16	3 7/8
Third quarter	4 1/8	2 3/8	5 1/4	4
Fourth quarter	2 15/16	2 1/4	4 15/16	3 5/8

	1999	1998	1997	1996	1995
December 31, closing stock price close per share	$2 5/16	$4 7/8	$5 1/16	$3 1/16	$2 5/16
Stock price percentage of change from prior year	-52.6%	-3.7%	+65.3%	+32.4%	+2.8%

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 ended December 31, 1999 and the other filings made by the Company from time to time with the Securities and Exchange Commission.

Inside Back Cover:
SHAREHOLDER INFORMATION

ANNUAL MEETING

Atlantic American's annual meeting of shareholders will be held on Tuesday, May 2, 2000, 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 10, 2000, are entitled to vote at the meeting, and all parties interested in Atlantic American are invited to attend. 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
Quoted on the Nasdaq National Market System

Transfer Agent and Registrar

Atlantic American Corporation
Attn: Janie L. Ryan, Corporate Secretary

P. O. Box 190720
Atlanta, Georgia 31119-0720
(800) 241-1439 or (404) 266-5532

Form 10-K and Other Information

For investors and others seeking additional dataregarding 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, (800) 241-1439 or (404) 266-5532. Please visit our web site at: www.atlam.com.

Principals Officers of Subsidiaries

Eugene Choate
President
Bankers Fidelity Life Insurance Company

Harold K. Fischer
President
Association Risk Mangement General Agency
Association Casualty Insurance Company

Bob J. Kitchen, Jr.
President,
Georgia Casualty & Surety Company

Andy M. Thompson
President,
Self-Insurance Administrators, Inc.

Roy S. Thompson
Chairman Emeritus,
American Southern Insurance Company

Scott G. Thompson
President and Chief Financial Officer
American Southern Insurance Company

Calvin L. Wall
Chairman and Chief Executive Officer
American Southern Insurance Company

(Back Cover to Anuual Report)

Atlantic
American
Corporation

4370 Peachtree Road, N.E.
Atlanta, GA 30319-3000
Telephone : 404-266-5500
Facsimile : 404-266-5702
Internet: www.atlam.com

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

Subsidiary	State of Incorporation
American Safety Insurance Company	Georgia
American Southern Insurance Company	Kansas
Association Casualty Insurance Company	Texas
Association Risk Management General Agency	Texas
Bankers Fidelity Life Insurance Company	Georgia
Georgia Casualty & Surety Company	Georgia
Self-Insurance Administrators, Inc.	Georgia

As independent public accountants, we are hereby consent to the incorporation of our reports dated March 24, 2000 included or incorporated by reference in this Form 10-K, into Atlantic American Corporation's previously filed Registration Statements (File Nos. 33-56866, 333-90063 and 333-90057).

/s/ Arthur Andersen LLP

Atlanta, Georgia
March 24, 2000

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YEAR
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