

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2022

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-3722

**ATLANTIC AMERICAN CORPORATION**

*(Exact name of registrant as specified in its charter)*

**Georgia**

*(State or other jurisdiction of incorporation or organization)*

**58-1027114**

*(I.R.S. Employer Identification No.)*

**4370 Peachtree Road, N.E.,  
Atlanta, Georgia**

*(Address of principal executive offices)*

**30319**

*(Zip Code)*

**(404) 266-5500**

*(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value \$1.00 per share	AAME	NASDAQ Global Market

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  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The total number of shares of the registrant's Common Stock, \$1 par value, outstanding on October 31, 2022 was 20,367,229.

## ATLANTIC AMERICAN CORPORATION

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## FORWARD-LOOKING STATEMENTS

This report contains and references certain information that constitutes forward-looking statements as that term is defined in the federal securities laws. Forward-looking statements are all statements other than those of historical fact. Such forward-looking statements are made based upon management's current assessments of various risks and uncertainties, as well as assumptions made in accordance with the "safe harbor" provisions of the federal securities laws. Forward-looking statements are inherently subject to various risks and uncertainties and the Company's actual results could differ materially from the results expressed in or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those described in Part I, Item 1A. "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 and other subsequent filings made by the Company from time to time with the Securities and Exchange Commission. In addition, other risks and uncertainties not known by us, or that we currently determine to not be material, may materially adversely affect our financial condition, results of operations or cash flows. The Company undertakes no obligation to update any forward-looking statement as a result of subsequent developments, changes in underlying assumptions or facts, or otherwise, except as may be required by law.

**PART I. FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**ATLANTIC AMERICAN CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(In thousands, except share and per share data)*

	<i>Unaudited</i> September 30, 2022	December 31, 2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 21,876	\$ 24,753
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost: \$234,510 and \$238,597)	202,303	260,986
Equity securities, at fair value (cost: \$4,906 and \$4,907)	13,667	19,124
Other invested assets (cost: \$5,628 and \$698)	5,421	198
Policy loans	1,797	1,858
Real estate	38	38
Investment in unconsolidated trusts	1,238	1,238
Total investments	<u>224,464</u>	<u>283,442</u>
Receivables:		
Reinsurance	25,224	27,416
Insurance premiums and other (net of allowance for doubtful accounts: \$175 and \$188)	21,934	14,959
Deferred income taxes, net	14,614	1,755
Deferred acquisition costs	41,416	38,698
Other assets	8,277	8,719
Intangibles	2,544	2,544
Total assets	<u>\$ 360,349</u>	<u>\$ 402,286</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Insurance reserves and policyholder funds:		
Future policy benefits	\$ 85,089	\$ 87,348
Unearned premiums	31,801	27,469
Losses and claims	86,578	85,620
Other policy liabilities	821	1,360
Total insurance reserves and policyholder funds	<u>204,289</u>	<u>201,797</u>
Accounts payable and accrued expenses	23,411	25,465
Revolving credit facility	1,000	—
Junior subordinated debenture obligations, net	33,738	33,738
Total liabilities	<u>262,438</u>	<u>261,000</u>
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Preferred stock, \$1 par, 4,000,000 shares authorized; Series D preferred, 55,000 shares issued and outstanding; \$5,500 redemption value	55	55
Common stock, \$1 par, 50,000,000 shares authorized; shares issued: 22,400,894; shares outstanding: 20,367,229 and 20,378,576	22,401	22,401
Additional paid-in capital	57,443	57,441
Retained earnings	51,036	51,264
Accumulated other comprehensive income (loss)	(25,443)	17,688
Unearned stock grant compensation	(52)	(73)
Treasury stock, at cost: 2,033,665 and 2,022,318 shares	(7,529)	(7,490)
Total shareholders' equity	<u>97,911</u>	<u>141,286</u>
Total liabilities and shareholders' equity	<u>\$ 360,349</u>	<u>\$ 402,286</u>

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

**ATLANTIC AMERICAN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(Unaudited; Dollars in thousands, except per share data)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Revenue:</b>				
Insurance premiums, net	\$ 46,380	\$ 46,092	\$ 140,526	\$ 137,315
Net investment income	2,641	2,137	7,510	6,516
Realized investment gains, net	101	349	29	520
Unrealized gains (losses) on equity securities, net	(2,783)	711	(5,456)	5,458
Other income	4	1	11	13
Total revenue	<u>46,343</u>	<u>49,290</u>	<u>142,620</u>	<u>149,822</u>
<b>Benefits and expenses:</b>				
Insurance benefits and losses incurred	30,630	35,045	94,552	100,020
Commissions and underwriting expenses	12,843	11,927	35,894	36,670
Interest expense	523	347	1,291	1,040
Other expense	3,296	3,264	10,151	10,178
Total benefits and expenses	<u>47,292</u>	<u>50,583</u>	<u>141,888</u>	<u>147,908</u>
Income (loss) before income taxes	(949)	(1,293)	732	1,914
Income tax expense (benefit)	(265)	(378)	253	298
Net income (loss)	(684)	(915)	479	1,616
Preferred stock dividends	(100)	(100)	(299)	(299)
Net income (loss) applicable to common shareholders	<u>\$ (784)</u>	<u>\$ (1,015)</u>	<u>\$ 180</u>	<u>\$ 1,317</u>
Earnings (loss) per common share (basic and diluted)	<u>\$ (0.04)</u>	<u>\$ (0.05)</u>	<u>\$ 0.01</u>	<u>\$ 0.06</u>

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

**ATLANTIC AMERICAN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
*(Unaudited; Dollars in thousands)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ (684)	\$ (915)	\$ 479	\$ 1,616
Other comprehensive loss:				
<u>Available-for-sale fixed maturity securities:</u>				
Gross unrealized holding loss arising in the period	(12,987)	(1,281)	(54,548)	(7,088)
Related income tax effect	2,727	269	11,455	1,488
Subtotal	(10,260)	(1,012)	(43,093)	(5,600)
Less: reclassification adjustment for net realized gains included in net income (loss)	(101)	(349)	(48)	(520)
Related income tax effect	21	73	10	109
Subtotal	(80)	(276)	(38)	(411)
Total other comprehensive loss, net of tax	(10,340)	(1,288)	(43,131)	(6,011)
Total comprehensive loss	\$ (11,024)	\$ (2,203)	\$ (42,652)	\$ (4,395)

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

**ATLANTIC AMERICAN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
*(Unaudited; Dollars in thousands except share data)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Preferred stock:</b>				
Balance, beginning of period	\$ 55	\$ 55	\$ 55	\$ 55
Balance, end of period	55	55	55	55
<b>Common stock:</b>				
Balance, beginning of period	22,401	22,401	22,401	22,401
Balance, end of period	22,401	22,401	22,401	22,401
<b>Additional paid-in capital:</b>				
Balance, beginning of period	57,443	57,439	57,441	57,437
Restricted stock grants, net of forfeitures	—	—	2	—
Issuance of shares under stock plans	—	2	—	4
Balance, end of period	57,443	57,441	57,443	57,441
<b>Retained earnings:</b>				
Balance, beginning of period	51,820	49,714	51,264	47,790
Net income (loss)	(684)	(915)	479	1,616
Dividends on common stock	—	—	(408)	(408)
Dividends accrued on preferred stock	(100)	(100)	(299)	(299)
Balance, end of period	51,036	48,699	51,036	48,699
<b>Accumulated other comprehensive income (loss):</b>				
Balance, beginning of period	(15,103)	20,277	17,688	25,000
Other comprehensive loss, net of tax	(10,340)	(1,288)	(43,131)	(6,011)
Balance, end of period	(25,443)	18,989	(25,443)	18,989
<b>Unearned stock grant compensation:</b>				
Balance, beginning of period	(79)	(150)	(73)	(284)
Restricted stock grants, net of forfeitures	—	—	(71)	—
Amortization of unearned compensation	27	50	92	184
Balance, end of period	(52)	(100)	(52)	(100)
<b>Treasury stock:</b>				
Balance, beginning of period	(7,436)	(7,361)	(7,490)	(7,339)
Restricted stock grants, net of forfeitures	—	—	69	—
Net shares acquired related to employee share-based compensation plans	(93)	(129)	(108)	(153)
Issuance of shares under stock plans	—	—	—	2
Balance, end of period	(7,529)	(7,490)	(7,529)	(7,490)
<b>Total shareholders' equity</b>	<b>\$ 97,911</b>	<b>\$ 139,995</b>	<b>\$ 97,911</b>	<b>\$ 139,995</b>
<b>Dividends declared on common stock per share</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 0.02</b>	<b>\$ 0.02</b>
<b>Common shares outstanding:</b>				
Balance, beginning of period	20,398,497	20,410,763	20,378,576	20,415,243
Net shares acquired under employee share-based compensation plans	(31,268)	(32,668)	(36,347)	(38,147)
Issuance of shares under stock plans	—	481	—	1,480
Restricted stock grants, net of forfeitures	—	—	25,000	—
Balance, end of period	20,367,229	20,378,576	20,367,229	20,378,576

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

**ATLANTIC AMERICAN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Unaudited; In thousands)*

	Nine Months Ended September 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 479	\$ 1,616
Adjustments to reconcile net income to net cash used in operating activities:		
(Additions to) amortization of acquisition costs, net	(2,718)	1,116
Realized investment gains, net	(29)	(520)
Unrealized losses (gains) on equity securities, net	5,456	(5,458)
Earnings from equity method investees	(275)	—
Compensation expense related to share awards	92	184
Depreciation and amortization	683	753
Deferred income tax benefit	(1,394)	(25)
Increase in receivables, net	(4,783)	(8,448)
Increase in insurance reserves and policyholder funds	2,492	7,081
Decrease in accounts payable and accrued expenses	(2,350)	(3,374)
Other, net	101	(2,479)
Net cash used in operating activities	<u>(2,246)</u>	<u>(9,554)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from investments sold	3,871	19,261
Proceeds from investments matured, called or redeemed	8,997	8,065
Investments purchased	(13,871)	(22,120)
Additions to property and equipment	(112)	(89)
Net cash (used in) provided by investing activities	<u>(1,115)</u>	<u>5,117</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of dividends on common stock	(408)	(408)
Proceeds from shares issued under stock plans	—	6
Treasury stock acquired — net employee share-based compensation	(108)	(153)
Proceeds from revolving credit facility, net	1,000	—
Net cash provided by (used in) financing activities	<u>484</u>	<u>(555)</u>
Net decrease in cash and cash equivalents	(2,877)	(4,992)
Cash and cash equivalents at beginning of period	24,753	19,319
Cash and cash equivalents at end of period	<u>\$ 21,876</u>	<u>\$ 14,327</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 1,200</u>	<u>\$ 1,045</u>
Cash paid for income taxes	<u>\$ 2,164</u>	<u>\$ 3,202</u>

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



**ATLANTIC AMERICAN CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*(Unaudited; Dollars in thousands, except per share amounts)*

**Note 1.** Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Atlantic American Corporation (the “Parent”) and its subsidiaries (collectively with the Parent, the “Company”). The Parent’s primary operating subsidiaries, American Southern Insurance Company and American Safety Insurance Company (together known as “American Southern”) and Bankers Fidelity Life Insurance Company and Bankers Fidelity Assurance Company (together known as “Bankers Fidelity”), operate in two principal business units. American Southern operates in the property and casualty insurance market, while Bankers Fidelity operates in the life and health insurance market. All significant intercompany accounts and transactions have been eliminated in consolidation. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for audited annual financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. The unaudited condensed consolidated financial statements included herein and these related notes should be read in conjunction with the Company’s consolidated financial statements, and the notes thereto, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 (the “2021 Annual Report”). The Company’s financial condition and results of operations and cash flows as of and for the three and nine month periods ended September 30, 2022 are not necessarily indicative of the financial condition or results of operations and cash flows that may be expected for the year ending December 31, 2022 or for any other future period.

The Company’s significant accounting policies have not changed materially from those set out in the 2021 Annual Report.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosures 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 materially from those estimates.

**Note 2.** Recently Issued Accounting Standards

*Future Adoption of New Accounting Standards*

For more information regarding accounting standards that the Company has not yet adopted, see the “Recently Issued Accounting Standards - Future Adoption of New Accounting Standards” section of Note 1 of Notes to Consolidated Financial Statements in the 2021 Annual Report.

**Note 3.** Investments

The following tables set forth the estimated fair value, gross unrealized gains, gross unrealized losses and cost or amortized cost of the Company's investments in fixed maturities and equity securities, aggregated by type and industry, as of September 30, 2022 and December 31, 2021.

Fixed maturities were comprised of the following:

	September 30, 2022			
	Estimated Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Cost or Amortized Cost
Fixed maturities:				
Bonds:				
U.S. Treasury securities and obligations of U.S. Government agencies and authorities	\$ 43,069	\$ —	\$ 5,950	\$ 49,019
Obligations of states and political subdivisions	9,151	12	1,749	10,888
Corporate securities:				
Utilities and telecom	21,557	69	3,789	25,277
Financial services	57,844	392	8,310	65,762
Other business – diversified	29,125	57	5,534	34,602
Other consumer – diversified	41,332	19	7,456	48,769
Total corporate securities	149,858	537	25,089	174,410
Redeemable preferred stocks:				
Other consumer – diversified	225	32	—	193
Total redeemable preferred stocks	225	32	—	193
Total fixed maturities	\$ 202,303	\$ 581	\$ 32,788	\$ 234,510
	December 31, 2021			
	Estimated Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Cost or Amortized Cost
Fixed maturities:				
Bonds:				
U.S. Treasury securities and obligations of U.S. Government agencies and authorities	\$ 50,298	\$ 763	\$ 416	\$ 49,951
Obligations of states and political subdivisions	11,644	749	—	10,895
Corporate securities:				
Utilities and telecom	29,717	2,961	44	26,800
Financial services	70,921	6,759	48	64,210
Other business – diversified	40,216	4,631	106	35,691
Other consumer – diversified	57,940	7,185	103	50,858
Total corporate securities	198,794	21,536	301	177,559
Redeemable preferred stocks:				
Other consumer – diversified	250	58	—	192
Total redeemable preferred stocks	250	58	—	192
Total fixed maturities	\$ 260,986	\$ 23,106	\$ 717	\$ 238,597

Bonds having an amortized cost of \$11,002 and \$11,169 and included in the tables above were on deposit with insurance regulatory authorities as of September 30, 2022 and December 31, 2021, respectively, in accordance with statutory requirements. Additionally, bonds having an amortized cost of \$7,253 and \$5,371 and included in the tables above were pledged as collateral to the Federal Home Loan Bank of Atlanta ("FHLB") at September 30, 2022 and December 31, 2021, respectively.

Equity securities were comprised of the following:

	September 30, 2022			
	Estimated Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Cost
Equity securities:				
Common and non-redeemable preferred stocks:				
Financial services	\$ 723	\$ 450	\$ —	\$ 273
Other business – diversified	12,944	8,311	—	4,633
Total equity securities	<u>\$ 13,667</u>	<u>\$ 8,761</u>	<u>\$ —</u>	<u>\$ 4,906</u>

	December 31, 2021			
	Estimated Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Cost
Equity securities:				
Common and non-redeemable preferred stocks:				
Financial services	\$ 799	\$ 525	\$ —	\$ 274
Other business – diversified	18,325	13,692	—	4,633
Total equity securities	<u>\$ 19,124</u>	<u>\$ 14,217</u>	<u>\$ —</u>	<u>\$ 4,907</u>

The carrying value and amortized cost of the Company's investments in fixed maturities at September 30, 2022 and December 31, 2021 by contractual maturity were as follows. Actual maturities may differ from contractual maturities because issuers may call or prepay obligations with or without call or prepayment penalties.

	September 30, 2022		December 31, 2021	
	Carrying Value	Amortized Cost	Carrying Value	Amortized Cost
Due in one year or less	\$ 3,878	\$ 3,902	\$ 1,734	\$ 1,730
Due after one year through five years	31,232	33,213	24,926	23,593
Due after five years through ten years	50,437	57,741	73,725	68,338
Due after ten years	84,146	102,116	122,045	106,181
Asset backed securities	32,610	37,538	38,556	38,755
Totals	<u>\$ 202,303</u>	<u>\$ 234,510</u>	<u>\$ 260,986</u>	<u>\$ 238,597</u>

The following tables present the Company's unrealized loss aging for securities by type and length of time the security was in a continuous unrealized loss position as of September 30, 2022 and December 31, 2021.

	September 30, 2022					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and obligations of U.S.						
Government agencies and authorities	\$ 28,463	\$ 3,153	\$ 14,606	\$ 2,797	\$ 43,069	\$ 5,950
Obligations of states and political subdivisions	7,124	1,749	—	—	7,124	1,749
Corporate securities	134,686	23,266	5,375	1,823	140,061	25,089
Total temporarily impaired securities	<u>\$ 170,273</u>	<u>\$ 28,168</u>	<u>\$ 19,981</u>	<u>\$ 4,620</u>	<u>\$ 190,254</u>	<u>\$ 32,788</u>

	December 31, 2021					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and obligations of U.S. Government agencies and authorities	\$ 30,141	\$ 416	\$ —	\$ —	\$ 30,141	\$ 416
Corporate securities	3,326	49	4,761	252	8,087	301
Total temporarily impaired securities	<u>\$ 33,467</u>	<u>\$ 465</u>	<u>\$ 4,761</u>	<u>\$ 252</u>	<u>\$ 38,228</u>	<u>\$ 717</u>

The evaluation for an other than temporary impairment (“OTTI”) is a quantitative and qualitative process, which is subject to risks and uncertainties in the determination of whether declines in the fair value of investments are other than temporary. Potential risks and uncertainties include, among other things, changes in general economic conditions, an issuer’s financial condition or near term recovery prospects and the effects of changes in interest rates. In evaluating a potential impairment, the Company considers, among other factors, management’s intent and ability to hold the securities until price recovery, the nature of the investment and the expectation of prospects for the issuer and its industry, the status of an issuer’s continued satisfaction of its obligations in accordance with their contractual terms, and management’s expectation as to the issuer’s ability and intent to continue to do so, as well as ratings actions that may affect the issuer’s credit status.

There were no OTTI charges recorded during the three month and nine month periods ended September 30, 2022 and 2021.

As of September 30, 2022 and December 31, 2021, there were 235 and 61 securities, respectively, in an unrealized loss position, which primarily included certain of the Company’s investments in fixed maturities within the financial services, other diversified business and other diversified consumer sectors. The increase in the number of securities in an unrealized loss position during the nine month period ended September 30, 2022 was primarily attributable to a decline in market values in certain of the Company’s fixed maturity securities as a result of a rising interest rate environment. The Company does not currently intend to sell nor does it expect to be required to sell any of the securities in an unrealized loss position. Based upon the Company’s expected continuation of receipt of contractually required principal and interest payments and its intent and ability to retain the securities until price recovery, as well as the Company’s evaluation of other relevant factors, including those described above, the Company has deemed these securities to be temporarily impaired as of September 30, 2022.

The following tables summarize realized investment gains for the three month and nine month periods ended September 30, 2022 and 2021.

	Three Months Ended September 30, 2022			
	Fixed Maturities	Equity Securities	Other Invested Assets	Total
Gains	\$ 101	\$ —	\$ —	\$ 101
Losses	—	—	—	—
Realized investment gains, net	<u>\$ 101</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 101</u>

	Three Months Ended September 30, 2021			
	Fixed Maturities	Equity Securities	Other Invested Assets	Total
Gains	\$ 349	\$ —	\$ —	\$ 349
Losses	—	—	—	—
Realized investment gains, net	<u>\$ 349</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 349</u>

	Nine Months Ended September 30, 2022			
	Fixed Maturities	Equity Securities	Other Invested Assets	Total
Gains	\$ 101	\$ —	\$ —	\$ 101
Losses	(53)	—	(19)	(72)
Realized investment gains (losses), net	\$ 48	\$ —	\$ (19)	\$ 29

	Nine Months Ended September 30, 2021			
	Fixed Maturities	Equity Securities	Other Invested Assets	Total
Gains	\$ 520	\$ —	\$ —	\$ 520
Losses	—	—	—	—
Realized investment gains, net	\$ 520	\$ —	\$ —	\$ 520

The following table presents the portion of unrealized gains (losses) related to equity securities still held for the three month and nine month periods ended September 30, 2022 and 2021.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net realized and unrealized gains (losses) recognized during the period on equity securities	\$ (2,783)	\$ 711	\$ (5,456)	\$ 5,458
Less: Net realized gains (losses) recognized during the period on equity securities sold during the period	—	—	—	—
Unrealized gains (losses) recognized during the reporting period on equity securities, net	\$ (2,783)	\$ 711	\$ (5,456)	\$ 5,458

**Variable Interest Entities**

The Company holds passive interests in a number of entities that are considered to be variable interest entities (“VIEs”) under GAAP guidance. The Company’s VIE interests principally consist of interests in limited liability companies formed for the purpose of achieving diversified equity returns. The Company’s VIE interests, carried as a part of other invested assets, totaled \$5,421 and \$198 as of September 30, 2022 and December 31, 2021, respectively. The Company’s VIE interests, carried as a part of investment in unconsolidated trusts, totaled \$1,238 as of September 30, 2022 and December 31, 2021.

The Company does not have power over the activities that most significantly impact the economic performance of these VIEs and thus is not the primary beneficiary. Therefore, the Company has not consolidated these VIEs. The Company’s involvement with each VIE is limited to its direct ownership interest in the VIE. The Company has no arrangements with any of the VIEs to provide other financial support to or on behalf of the VIE. The Company’s maximum loss exposure relative to these investments was limited to the carrying value of the Company’s investment in the VIEs, which amount to \$6,659 and \$1,436, as of September 30, 2022 and December 31, 2021, respectively. As of September 30, 2022 and December 31, 2021, the Company had outstanding commitments totaling \$5,872 and \$1,997, respectively, whereby the Company is committed to fund these investments and may be called by the partnership during the commitment period to fund the purchase of new investments and partnership expenses.

**Note 4. Fair Values of Financial Instruments**

The estimated fair values have been determined by the Company using available market information from various market sources and appropriate valuation methodologies as of the respective dates. However, considerable judgment is necessary to interpret market data and to develop the estimates of fair value. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, 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.

The following describes the fair value hierarchy and provides information as to the extent to which the Company uses fair value to measure the value of its financial instruments and information about the inputs used to value those financial instruments. The fair value hierarchy prioritizes the inputs in the valuation techniques used to measure fair value into three broad levels.

Level 1 Observable inputs that reflect quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date. The Company’s financial instruments valued using Level 1 criteria include cash equivalents and exchange traded common stocks.

- Level 2** Observable inputs, other than quoted prices included in Level 1, for an asset or liability or prices for similar assets or liabilities. The Company's financial instruments valued using Level 2 criteria include significantly most of its fixed maturities, which consist of U.S. Treasury securities, U.S. Government securities, obligations of states and political subdivisions, and certain corporate fixed maturities, as well as its non-redeemable preferred stocks. In determining fair value measurements of its fixed maturities and non-redeemable preferred stocks using Level 2 criteria, the Company utilizes data from outside sources, including nationally recognized pricing services and broker/dealers. Prices for the majority of the Company's Level 2 fixed maturities and non-redeemable preferred stocks were determined using unadjusted prices received from pricing services that utilize models where the significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities) or can be corroborated by observable market data.
- Level 3** Valuations that are derived from techniques in which one or more of the significant inputs are unobservable (including assumptions about risk). Fair value is based on criteria that use assumptions or other data that are not readily observable from objective sources. With little or no observable market, the determination of fair values uses considerable judgment and represents the Company's best estimate of an amount that could be realized in a market exchange for the asset or liability. The Company's financial instruments valued using Level 3 criteria consist of two fixed maturity securities and one equity security. As of September 30, 2022 and December 31, 2021, the value of the fixed maturities valued using Level 3 criteria was \$475 and \$250, respectively. As of September 30, 2022 and December 31, 2021, the value of the equity security valued using Level 3 criteria was \$157 and \$157, respectively. The equity security is not traded and is valued at cost. The use of different criteria or assumptions regarding data may have yielded materially different valuations.

As of September 30, 2022, financial instruments carried at fair value were measured on a recurring basis as summarized below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets:</b>				
Fixed maturities	\$ —	\$ 201,828	\$ 475	\$ 202,303
Equity securities	13,510	—	157	13,667
Cash equivalents	14,490	—	—	14,490
Total	<u>\$ 28,000</u>	<u>\$ 201,828</u>	<u>\$ 632</u>	<u>\$ 230,460</u>

As of December 31, 2021, financial instruments carried at fair value were measured on a recurring basis as summarized below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets:</b>				
Fixed maturities	\$ 250	\$ 260,486	\$ 250	\$ 260,986
Equity securities	18,967	—	157	19,124
Cash equivalents	12,713	—	—	12,713
Total	<u>\$ 31,930</u>	<u>\$ 260,486</u>	<u>\$ 407</u>	<u>\$ 292,823</u>

The following table sets forth the carrying amount, estimated fair value and level within the fair value hierarchy of the Company's financial instruments as of September 30, 2022 and December 31, 2021.

	Level in Fair Value Hierarchy (1)	September 30, 2022		December 31, 2021	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Assets:</b>					
Cash and cash equivalents	Level 1	\$ 21,876	\$ 21,876	\$ 24,753	\$ 24,753
Fixed maturities	(1)	202,303	202,303	260,986	260,986
Equity securities	(1)	13,667	13,667	19,124	19,124
Other invested assets	Level 3	5,421	5,421	198	198
Policy loans	Level 2	1,797	1,797	1,858	1,858
Investment in unconsolidated trusts	Level 2	1,238	1,238	1,238	1,238
<b>Liabilities:</b>					
Junior subordinated debentures, net	Level 2	33,738	33,345	33,738	33,728
Revolving credit facility	Level 2	1,000	1,000	—	—

(1) See the aforementioned information for a description of the fair value hierarchy as well as a description of levels for classes of these financial assets.

**Note 5.** Internal-Use Software

On March 3, 2021, the Company entered into a hosting arrangement through a service contract with a third party software solutions vendor to provide a suite of policy, billing, claim, and customer management services. The software is managed, hosted, supported, and delivered as a cloud-based software service product offering (software-as-a-service). The initial term of the arrangement is five years from the effective date with a renewal term of an additional five years.

Service fees related to the hosting arrangement are recorded as an expense in the Company's condensed consolidated statement of operations as incurred. Implementation expenses incurred related to third party professional and consulting services have been capitalized. The Company will begin amortizing, on a straight-line basis over the expected ten year term of the hosting arrangement, when the software is substantially ready for its intended use. The Company incurred and capitalized implementation costs of \$500 during the year ended December 31, 2021, and \$1,357 during the nine months ended September 30, 2022. As a result, the Company has capitalized \$1,857 in implementation costs in its condensed consolidated balance sheet as of September 30, 2022. The Company expects the software will be substantially ready for its intended use during 2023. Accordingly, the Company has not recorded any amortization expense related to software implementation costs for the nine months ended September 30, 2022.

**Note 6.** Insurance Reserves for Losses and Claims

The roll-forward of insurance reserves for losses and claims for the nine months ended September 30, 2022 and 2021 is as follows:

	Nine Months Ended September 30,	
	2022	2021
Beginning insurance reserves for losses and claims, gross	\$ 85,620	\$ 79,147
Less: Reinsurance recoverable on unpaid losses	(17,690)	(17,600)
Beginning insurance reserves for losses and claims, net	67,930	61,547
<b>Incurred related to:</b>		
Current accident year	96,897	98,972
Prior accident year development (1)	(3,544) <sup>(2)</sup>	678 <sup>(3)</sup>
Total incurred	93,353	99,650
<b>Paid related to:</b>		
Current accident year	57,478	59,492
Prior accident years	34,647	33,060
Total paid	92,125	92,552
Ending insurance reserves for losses and claims, net	69,158	68,645
Plus: Reinsurance recoverable on unpaid losses	17,420	18,528
Ending insurance reserves for losses and claims, gross	\$ 86,578	\$ 87,173

(1) In establishing property and casualty reserves, the Company initially reserves for losses at the higher end of the reasonable range if no other value within the range is determined to be more probable. Selection of such an initial loss estimate is an attempt by management to give recognition that initial claims information received generally is not conclusive with respect to legal liability, is generally not comprehensive with respect to magnitude of loss and generally, based on historical experience, will develop more adversely as time passes and more information becomes available. Accordingly, the Company generally experiences reserve redundancies when analyzing the development of prior year losses in a current period.

- (2) Prior years' development was primarily the result of favorable development in the property and casualty operations, as well as favorable development in the Medicare supplement line of business in the life and health operations.
- (3) Prior years' development was primarily the result of unfavorable development in the loss and claim reserves for the Medicare supplement line of business in Bankers Fidelity. Partially offsetting the unfavorable development was favorable development in the property and casualty operations.

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

	Nine Months Ended September 30,	
	2022	2021
Total incurred losses	\$ 93,353	\$ 99,650
Cash surrender value and matured endowments	1,326	1,961
Benefit reserve changes	(127)	(1,591)
Total insurance benefits and losses incurred	<u>\$ 94,552</u>	<u>\$ 100,020</u>

**Note 7. Credit Arrangements**

The Company is preparing for the expected discontinuation of LIBOR by identifying, assessing and monitoring risks associated with LIBOR transition. Preparation includes taking steps to update operational processes to support alternative reference rates and models, as well as evaluating legacy contracts for any changes that may be required, including the determination of applicable fallbacks.

**Bank Debt**

On May 12, 2021, the Company entered into a Revolving Credit Agreement (the "Credit Agreement") with Truist Bank as the lender (the "Lender"). The Credit Agreement provides for an unsecured \$10,000 revolving credit facility that matures on April 12, 2024. Under the Credit Agreement, the Company will pay interest on the unpaid principal balance of outstanding revolving loans at the LIBOR Rate (as defined in the Credit Agreement) plus 2.00%, subject to a LIBOR floor rate of 1.00%.

The Credit Agreement requires the Company to comply with certain covenants, including a debt to capital ratio that restricts the Company from incurring consolidated indebtedness that exceeds 35% of the Company's consolidated capitalization at any time. The Credit Agreement also contains customary representations and warranties and events of default. Events of default include, among others, (a) the failure by the Company to pay any amounts owed under the Credit Agreement when due, (b) the failure to perform and not timely remedy certain covenants, (c) a change in control of the Company and (d) the occurrence of bankruptcy or insolvency events. Upon an event of default, the Lender may, among other things, declare all obligations under the Credit Agreement immediately due and payable and terminate the revolving commitments. As of September 30, 2022, the Company had outstanding borrowings of \$1,000 under the Credit Agreement.

**Junior Subordinated Debentures**

The Company has two unconsolidated Connecticut statutory business trusts, which exist for the exclusive purposes of: (i) issuing trust preferred securities ("Trust Preferred Securities") representing undivided beneficial interests in the assets of the trusts; (ii) investing the gross proceeds of the Trust Preferred Securities in junior subordinated deferrable interest debentures ("Junior Subordinated Debentures") of Atlantic American; and (iii) engaging in those activities necessary or incidental thereto.

The financial structure of each of Atlantic American Statutory Trust I and II as of September 30, 2022 was as follows:

	Atlantic American Statutory Trust I	Atlantic American Statutory Trust II
<b>JUNIOR SUBORDINATED DEBENTURES <sup>(1) (2)</sup></b>		
Principal amount owed September 30, 2022	\$ 18,042	\$ 23,196
Less: Treasury debt <sup>(3)</sup>	—	(7,500)
Net balance September 30, 2022	<u>\$ 18,042</u>	<u>\$ 15,696</u>
Net balance December 31, 2021	\$ 18,042	\$ 15,696
Coupon rate	LIBOR + 4.00%	LIBOR + 4.10%
Interest payable	Quarterly	Quarterly
Maturity date	December 4, 2032	May 15, 2033
Redeemable by issuer	Yes	Yes
<b>TRUST PREFERRED SECURITIES</b>		
Issuance date	December 4, 2002	May 15, 2003
Securities issued	17,500	22,500
Liquidation preference per security	\$ 1	\$ 1
Liquidation value	\$ 17,500	\$ 22,500
Coupon rate	LIBOR + 4.00%	LIBOR + 4.10%
Distribution payable	Quarterly	Quarterly
Distribution guaranteed by <sup>(4)</sup>	Atlantic American Corporation	Atlantic American Corporation



- (1) For each of the respective debentures, the Company has the right at any time, and from time to time, to defer payments of interest on the Junior Subordinated Debentures for a period not exceeding 20 consecutive quarters up to the debentures' respective maturity dates. During any such period, interest will continue to accrue and the Company may not declare or pay any cash dividends or distributions on, or purchase, the Company's common stock nor make any principal, interest or premium payments on or repurchase any debt securities that rank equally with or junior to the Junior Subordinated Debentures. The Company has the right at any time to dissolve each of the trusts and cause the Junior Subordinated Debentures to be distributed to the holders of the Trust Preferred Securities.
- (2) The Junior Subordinated Debentures are unsecured and rank junior and subordinate in right of payment to all senior debt of the Parent and are effectively subordinated to all existing and future liabilities of its subsidiaries.
- (3) On August 4, 2014, the Company acquired \$7,500 of the Junior Subordinated Debentures.
- (4) The Parent has guaranteed, on a subordinated basis, all of the obligations under the Trust Preferred Securities, including payment of the redemption price and any accumulated and unpaid distributions to the extent of available funds and upon dissolution, winding up or liquidation.

**Note 8.** Earnings (Loss) Per Common Share

A reconciliation of the numerator and denominator used in the earnings (loss) per common share calculations is as follows:

	Loss	Three Months Ended September 30, 2022 Weighted Average Shares (In thousands)	Per Share Amount
<i>Basic and Diluted Loss Per Common Share:</i>			
Net loss	\$ (684)	20,389	
Less preferred stock dividends	(100)	—	
Net loss applicable to common shareholders	<u>\$ (784)</u>	<u>20,389</u>	<u>\$ (0.04)</u>
	Loss	Three Months Ended September 30, 2021 Weighted Average Shares (In thousands)	Per Share Amount
<i>Basic and Diluted Loss Per Common Share:</i>			
Net loss	\$ (915)	20,401	
Less preferred stock dividends	(100)	—	
Net loss applicable to common shareholders	<u>\$ (1,015)</u>	<u>20,401</u>	<u>\$ (0.05)</u>

	Nine Months Ended September 30, 2022		
	Income	Weighted Average Shares (In thousands)	Per Share Amount
<i>Basic and Diluted Earnings Per Common Share:</i>			
Net income	\$ 479	20,390	
Less preferred stock dividends	(299)	—	
Net income applicable to common shareholders	<u>\$ 180</u>	<u>20,390</u>	<u>\$ 0.01</u>

	Nine Months Ended September 30, 2021		
	Income	Weighted Average Shares (In thousands)	Per Share Amount
<i>Basic and Diluted Earnings Per Common Share:</i>			
Net income	\$ 1,616	20,410	
Less preferred stock dividends	(299)	—	
Net income applicable to common shareholders	<u>\$ 1,317</u>	<u>20,410</u>	<u>\$ 0.06</u>

The assumed conversion of the Company's Series D preferred stock was excluded from the earnings (loss) per common share calculation for all periods presented since its impact would have been antidilutive.

**Note 9.** Equity and Incentive Compensation Plan

On May 1, 2012, the Company's shareholders approved the 2012 Equity Incentive Plan (the "2012 Plan"). The 2012 Plan authorizes the grant of up to 2,000,000 stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares, performance units and other awards for the purpose of providing the Company's non-employee directors, consultants, officers and other employees incentives and rewards for superior performance. During the nine month period ended September 30, 2022, a total of 25,000 restricted shares, with an estimated fair value of \$69 were issued under the 2012 Plan. During 2021, there were no restricted shares issued under the 2012 Plan. The estimated fair value of the restricted shares issued under the 2012 Plan during 2022 was based on the common stock price at date of grant. Stock grants are generally issued from treasury shares. Vesting of restricted shares generally occurs after a one to three year period following the date of grant. The Company accounts for forfeitures as they occur. There were no stock options granted or outstanding under the 2012 Plan in 2022 or 2021. Shares available for future grant under the 2012 Plan at December 31, 2021 were 935,200. The 2012 Plan expired on April 30, 2022, ten years after its effective date. As such, no grants have been or will be made under the 2012 Plan on or after its expiration, but outstanding awards granted thereunder will continue in accordance with their terms.

On May 24, 2022, the Company's shareholders approved the 2022 Equity and Incentive Compensation Plan (the "2022 Plan"). The 2022 Plan authorizes the grant of up to 3,000,000 stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares, performance units and other awards, and succeeded the 2012 Plan for the purpose of providing the Company's non-employee directors, consultants, officers and other employees incentives and rewards for superior performance. As of September 30, 2022, no shares have been issued under the 2022 Plan.

**Note 10.** Income Taxes

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Federal income tax provision at statutory rate of 21%	\$ (199)	\$ (271)	\$ 154	\$ 402
Dividends-received deduction	(6)	(7)	(18)	(21)
Meals and entertainment	29	8	49	22
Vested stock and club dues	(7)	(27)	(7)	(32)
Parking disallowance	4	4	12	12
Penalties and fines	—	—	149	—
Adjustment for prior years' estimates to actual	(86)	(85)	(86)	(85)
Income tax expense (benefit)	<u>\$ (265)</u>	<u>\$ (378)</u>	<u>\$ 253</u>	<u>\$ 298</u>

The components of income tax expense (benefit) were:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Current – Federal	\$ 435	\$ (746)	\$ 1,647	\$ 323
Deferred – Federal	(700)	368	(1,394)	(25)
Total	\$ (265)	\$ (378)	\$ 253	\$ 298

**Note 11.** Leases

The Company has two operating lease agreements, each for the use of office space in the ordinary course of business. The first lease renews annually on an automatic basis and based on original assumptions, management is reasonably certain to exercise the renewal option through 2026. The original term of the second lease was ten years and amended in January 2017 to provide for an additional seven years, with a termination date on September 30, 2026. The rate used in determining the present value of lease payments is based upon an estimate of the Company's incremental secured borrowing rate commensurate with the term of the underlying lease.

These leases are accounted for as operating leases, whereby lease expense is recognized on a straight-line basis over the term of the lease. Lease expense reported for the nine months ended September 30, 2022 and September 30, 2021 was \$761.

Additional information regarding the Company's real estate operating leases is as follows:

<b>Other information on operating leases:</b>	Nine Months Ended September 30,	
	2022	2021
Cash payments included in the measurement of lease liabilities reported in operating cash flows	\$ 772	\$ 760
Right-of-use assets included in other assets on the condensed consolidated balance sheet	3,595	4,320
Weighted average discount rate	6.8%	6.8%
Weighted average remaining lease term in years	4.1 years	5.1 years

The following table presents maturities and present value of the Company's lease liabilities:

	Lease Liability
Remainder of 2022	\$ 260
2023	1,048
2024	1,065
2025	1,083
2026	942
Thereafter	—
Total undiscounted lease payments	4,398
Less: present value adjustment	580
Operating lease liability included in accounts payable and accrued expenses on the condensed consolidated balance sheet	\$ 3,818

As of September 30, 2022, the Company has no operating leases that have not yet commenced.

**Note 12.** Commitments and Contingencies

**Litigation**

From time to time, the Company is, and expects to continue to be, involved in various claims and lawsuits incidental to and in the ordinary course of its business. In the opinion of management, any such known claims are not expected to have a material effect on the financial condition or results of operations of the Company.

**Regulatory Matters**

Like 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 commissioners. From time to time, and in the ordinary course of business, the Company receives notices and inquiries from state insurance departments with respect to various matters.

In November 2021, the Company was made aware by a state regulatory authority of alleged violations relating to certain sales of insurance policies and that the Company may be subject to regulatory action, including fines. The Company agreed to settle the matter through a consent order which included a penalty that was recorded in the financial statements in March 2022.

**Note 13.** Segment Information

The Parent's primary insurance subsidiaries, American Southern and Bankers Fidelity, operate in two principal business units, each focusing on specific products. American Southern operates in the property and casualty insurance market, while Bankers Fidelity operates in the life and health insurance market. Each business unit is managed independently and is evaluated on its individual performance. The following sets forth the assets, revenue and income (loss) before income taxes for each business unit as of and for the periods ended 2022 and 2021.

			September 30,	December 31,
			2022	2021
<b>Assets</b>				
American Southern			\$ 143,187	\$ 161,788
Bankers Fidelity			191,100	227,395
Corporate and Other			26,062	13,103
Total assets			<u>\$ 360,349</u>	<u>\$ 402,286</u>
<b>Revenues</b>				
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
American Southern	\$ 18,538	\$ 18,206	\$ 56,540	\$ 53,254
Bankers Fidelity	27,641	31,181	86,099	96,401
Corporate and Other	164	(97)	(19)	167
Total revenue	<u>\$ 46,343</u>	<u>\$ 49,290</u>	<u>\$ 142,620</u>	<u>\$ 149,822</u>
<b>Income (Loss) Before Income Taxes</b>				
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
American Southern	\$ 1,892	\$ 1,682	\$ 4,659	\$ 5,245
Bankers Fidelity	(850)	(1,149)	2,084	2,362
Corporate and Other	(1,991)	(1,826)	(6,011)	(5,693)
Income (loss) before income taxes	<u>\$ (949)</u>	<u>\$ (1,293)</u>	<u>\$ 732</u>	<u>\$ 1,914</u>

[Item 2.](#)

**MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

**Overview**

The following is management’s discussion and analysis of the financial condition and results of operations of Atlantic American Corporation (“Atlantic American” or the “Parent”) and its subsidiaries (collectively with the Parent, the “Company”) as of and for the three month and nine month periods ended September 30, 2022. This discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included elsewhere herein, as well as with the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 (the “2021 Annual Report”).

Atlantic American is an insurance holding company whose operations are conducted primarily through its insurance subsidiaries: American Southern Insurance Company and American Safety Insurance Company (together known as “American Southern”), and Bankers Fidelity Life Insurance Company and Bankers Fidelity Assurance Company (together known as “Bankers Fidelity”). Each operating company is managed separately, offers different products and is evaluated on its individual performance.

The Company recently formed a new life and health insurance entity, Atlantic Capital Life Assurance Company, a wholly owned subsidiary of Bankers Fidelity Life Insurance Company. Effective October 14, 2022, Atlantic Capital Life Assurance Company obtained its Certificate of Authority from the Office of the Commissioner of Insurance of the State of Georgia. Management intends to seek certificates of authority in additional states and expects to commence operations sometime during 2023.

**Critical Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ significantly from those estimates. The Company has identified certain estimates that involve a higher degree of judgment and are subject to a significant degree of variability. The Company’s critical accounting policies and the resultant estimates considered most significant by management are disclosed in the 2021 Annual Report. Except as disclosed in Note 2 of Notes to Condensed Consolidated Financial Statements, the Company’s critical accounting policies are consistent with those disclosed in the 2021 Annual Report.

**Overall Corporate Results**

The following presents the Company’s revenue, expenses and net income (loss) for the three month and nine month periods ended September 30, 2022 and the comparable periods in 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Insurance premiums, net	\$ 46,380	\$ 46,092	\$ 140,526	\$ 137,315
Net investment income	2,641	2,137	7,510	6,516
Realized investment gains, net	101	349	29	520
Unrealized gains (losses) on equity securities, net	(2,783)	711	(5,456)	5,458
Other income	4	1	11	13
Total revenue	<u>46,343</u>	<u>49,290</u>	<u>142,620</u>	<u>149,822</u>
Insurance benefits and losses incurred	30,630	35,045	94,552	100,020
Commissions and underwriting expenses	12,843	11,927	35,894	36,670
Interest expense	523	347	1,291	1,040
Other expense	3,296	3,264	10,151	10,178
Total benefits and expenses	<u>47,292</u>	<u>50,583</u>	<u>141,888</u>	<u>147,908</u>
Income (loss) before income taxes	<u>\$ (949)</u>	<u>\$ (1,293)</u>	<u>\$ 732</u>	<u>\$ 1,914</u>
Net income (loss)	<u>\$ (684)</u>	<u>\$ (915)</u>	<u>\$ 479</u>	<u>\$ 1,616</u>

Management also considers and evaluates performance by analyzing the non-GAAP measure operating income (loss), and believes it is a useful metric for investors, potential investors, securities analysts and others because it isolates the “core” operating results of the Company before considering certain items that are either beyond the control of management (such as taxes, which are subject to timing, regulatory and rate changes depending on the timing of the associated revenues and expenses) or are not expected to regularly impact the Company’s operational results (such as any realized and unrealized investment gains, which are not a part of the Company’s primary operations and are, to a limited extent, subject to discretion in terms of timing of realization).

A reconciliation of net income (loss) to operating income (loss) for the three month and nine month periods ended September 30, 2022 and the comparable periods in 2021 is as follows:

Reconciliation of Non-GAAP Financial Measure	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(In thousands)			
Net income (loss)	\$ (684)	\$ (915)	\$ 479	\$ 1,616
Income tax expense (benefit)	(265)	(378)	253	298
Realized investment gains, net	(101)	(349)	(29)	(520)
Unrealized (gains) losses on equity securities, net	2,783	(711)	5,456	(5,458)
Non-GAAP operating income (loss)	<u>\$ 1,733</u>	<u>\$ (2,353)</u>	<u>\$ 6,159</u>	<u>\$ (4,064)</u>

On a consolidated basis, the Company had net loss of \$0.7 million, or \$0.04 per diluted share, for the three month period ended September 30, 2022, compared to net loss of \$0.9 million, or \$0.05 per diluted share, for the three month period ended September 30, 2021. The Company had net income of \$0.5 million, or \$0.01 per diluted share, for the nine month period ended September 30, 2022, compared to net income of \$1.6 million, or \$0.06 per diluted share, for the nine month period ended September 30, 2021. The decrease in net loss for the three month period ended September 30, 2022 was primarily attributable to more favorable loss experience in the life and health operations, partially offset by a decrease in unrealized gains of \$3.5 million, from the comparable period in 2021. The decrease in net income for the nine month period ended September 30, 2022 was primarily attributable to the decrease in unrealized gains of \$10.9 million from the comparable period in 2021, partially offset by more favorable loss experience in the life and health operations.

For the three month period ended September 30, 2022, premium revenue increased \$0.3 million, or 0.6%, to \$46.4 million from \$46.1 million in the comparable period in 2021. For the nine month period ended September 30, 2022, premium revenue increased \$3.2 million, or 2.3%, to \$140.5 million from \$137.3 million in the comparable period in 2021. The increase in premium revenue was primarily attributable to an increase in business writings and price increases in certain programs within the automobile liability line of business in the property and casualty operations. Also contributing to this increase in premium revenue was an increase in group life insurance premiums in the life and health operations. Partially offsetting this increase was a decrease in the Medicare supplement line of business in the life and health operations.

Operating income increased \$4.1 million in the three month period ended September 30, 2022 from the three month period ended September 30, 2021. For the nine month period ended September 30, 2022, operating income increased \$10.2 million from the comparable period in 2021. The increase in operating income was primarily due to favorable loss experience in the life and health operations, resulting from an increase in earned premium within the group lines of business coupled with a decrease in the number of claims incurred in the Medicare supplement line of business.

A more detailed analysis of the individual operating segments and other corporate activities follows.

### American Southern

The following summarizes American Southern's premiums, losses, expenses and underwriting ratios for the three month and nine month periods ended September 30, 2022 and the comparable periods in 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
Gross written premiums	\$ 12,400	\$ 13,945	\$ 63,558	\$ 58,460
Ceded premiums	(1,583)	(1,625)	(4,922)	(4,874)
Net written premiums	<u>\$ 10,817</u>	<u>\$ 12,320</u>	<u>\$ 58,636</u>	<u>\$ 53,586</u>
Net earned premiums	\$ 17,641	\$ 17,320	\$ 53,753	\$ 50,297
Insurance benefits and losses incurred	12,031	11,651	36,549	33,557
Commissions and underwriting expenses	4,615	4,873	15,332	14,452
Underwriting income	<u>\$ 995</u>	<u>\$ 796</u>	<u>\$ 1,872</u>	<u>\$ 2,288</u>
Loss ratio	68.2%	67.3%	68.0%	66.7%
Expense ratio	26.2	28.1	28.5	28.7
Combined ratio	<u>94.4%</u>	<u>95.4%</u>	<u>96.5%</u>	<u>95.4%</u>

Gross written premiums at American Southern decreased \$1.5 million, or 11.1%, during the three month period ended September 30, 2022 and increased \$5.1 million, or 8.7%, during the nine month period ended September 30, 2022, from the comparable periods in 2021. The decrease in gross written premiums during the three month period ended September 30, 2022 was primarily attributable to the decrease in premiums written in the automobile physical damage line of business. The increase in gross written premiums during the nine month period ended September 30, 2022 was primarily attributable to an increase in premiums written in the automobile liability line of business, resulting from new business writings and price increases in certain programs.

Ceded premiums decreased slightly during the three month period ended September 30, 2022 and increased slightly during the nine month period ended September 30, 2022, from the comparable periods in 2021. American Southern's ceded premiums are typically determined as a percentage of earned premiums and generally increase or decrease as earned premiums increase or decrease. However, during the three month period ended September 30, 2022, the decrease in ceded premiums was primarily due to the decrease in the automobile physical damage line of business, coupled with a decrease in ceding rates for two large programs in the automobile liability line of business.

The following presents American Southern's net earned premiums by line of business for the three month and nine month periods ended September 30, 2022 and the comparable periods in 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(In thousands)			
Automobile liability	\$ 9,546	\$ 7,616	\$ 25,731	\$ 22,629
Automobile physical damage	4,179	5,992	16,649	17,009
General liability	1,532	1,463	4,391	4,140
Surety	1,485	1,404	4,453	4,048
Other lines	899	845	2,529	2,471
Total	\$ 17,641	\$ 17,320	\$ 53,753	\$ 50,297

Net earned premiums increased \$0.3 million, or 1.9%, during the three month period ended September 30, 2022, and \$3.5 million, or 6.9%, during the nine month period ended September 30, 2022, over the comparable periods in 2021. The increase in net earned premiums was primarily attributable to an increase in business writings and price increases in certain programs within the automobile liability line of business as previously mentioned. Premiums are earned ratably over their respective policy terms, and therefore premiums earned in the current year are related to policies written during both the current year and immediately preceding year.

The performance of an insurance company is often measured by its combined ratio. The combined ratio represents the percentage of losses, loss adjustment expenses 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 and loss adjustment expenses incurred to premiums earned) and the expense ratio (the ratio of expenses incurred to premiums earned).

Insurance benefits and losses incurred at American Southern increased \$0.4 million, or 3.3%, during the three month period ended September 30, 2022, and increased \$3.0 million, or 8.9%, during the nine month period ended September 30, 2022, over the comparable periods in 2021. As a percentage of earned premiums, insurance benefits and losses incurred were 68.2% in the three month period ended September 30, 2022, compared to 67.3% in the three month period ended September 30, 2021. For the nine month period ended September 30, 2022, this ratio increased to 68.0% from 66.7% in the comparable period in 2021. The increase in the loss ratio during the three month and nine month periods ended September 30, 2022 was mainly due to severity of losses reported from programs within the automobile liability line of business. Partially offsetting this increase was a decrease in the frequency of claims in the automobile physical damage line of business.

Commissions and underwriting expenses decreased \$0.3 million, or 5.3%, during the three month period ended September 30, 2022, and increased \$0.9 million, or 6.1% during the nine month period ended September 30, 2022, over the comparable periods in 2021. As a percentage of earned premiums, underwriting expenses were 26.2% in the three month period ended September 30, 2022, compared to 28.1% in the three month period ended September 30, 2021. For the nine month period ended September 30, 2022, this ratio decreased to 28.5% from 28.7% in the comparable period in 2021. The decrease in the expense ratio during the three month and nine month periods ended September 30, 2022 was primarily due to American Southern's use of a variable commission structure with certain agents, which compensates the participating agents in relation to the loss ratios of the business they write. During periods in which the loss ratio decreases, commissions and underwriting expenses will generally increase, and conversely, during periods in which the loss ratio increases, commissions and underwriting expenses will generally decrease.

**Bankers Fidelity**

The following summarizes Bankers Fidelity's earned premiums, losses, expenses and underwriting ratios for the three month and nine month periods ended September 30, 2022 and the comparable periods in 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
Medicare supplement	\$ 36,766	\$ 40,372	\$ 112,013	\$ 122,230
Other health products	3,392	2,777	9,314	7,532
Life insurance	3,994	2,378	12,081	7,715
Gross earned premiums	44,152	45,527	133,408	137,477
Ceded premiums	(15,413)	(16,755)	(46,635)	(50,459)
Net earned premiums	28,739	28,772	86,773	87,018
Insurance benefits and losses incurred	18,599	23,394	58,003	66,463
Commissions and underwriting expenses	9,893	8,936	26,012	27,576
Total expenses	28,492	32,330	84,015	94,039
Underwriting income (loss)	\$ 247	\$ (3,558)	\$ 2,758	\$ (7,021)
Loss ratio	64.7%	81.3%	66.8%	76.4%
Expense ratio	34.4%	31.1%	30.0%	31.7%
Combined ratio	99.1%	112.4%	96.8%	108.1%

Net earned premium revenue at Bankers Fidelity remained consistent during the three month period ended September 30, 2022, and decreased \$0.2 million, or 0.3%, during the nine month period ended September 30, 2022, from the comparable periods in 2021. Gross earned premiums from the Medicare supplement line of business decreased \$3.6 million, or 8.9%, during the three month period ended September 30, 2022, and \$10.2 million, or 8.4%, during the nine month period ended September 30, 2022, due primarily to non-renewals exceeding the level of new business writings. Other health product premiums increased \$0.6 million, or 22.1%, during the three month period ended September 30, 2022, and \$1.8 million, or 23.7%, during the nine month period ended September 30, 2022, over the comparable periods in 2021, primarily as a result of new sales of the company's group health and individual cancer products. Gross earned premiums from the life insurance line of business increased \$1.6 million, or 68.0%, during the three month period ended September 30, 2022, and increased \$4.4 million, or 56.6%, during the nine month period ended September 30, 2022, over the comparable periods in 2021, primarily due to an increase in the group life products premium. Partially offsetting this increase was a decrease in individual life products premium, resulting from the redemption and settlement of existing individual life policy obligations exceeding the level of new individual life sales. Premiums ceded decreased \$1.3 million, or 8.0%, during the three month period ended September 30, 2022 and \$3.8 million, or 7.6%, during the nine month period ended September 30, 2022, from the comparable periods in 2021. The decrease in ceded premiums for the three month and nine month periods ended September 30, 2022 was due to a decrease in Medicare supplement premiums subject to reinsurance.

Insurance benefits and losses incurred decreased \$4.8 million, or 20.5%, during the three month period ended September 30, 2022, and \$8.5 million, or 12.7%, during the nine month period ended September 30, 2022, from the comparable periods in 2021. As a percentage of earned premiums, benefits and losses were 64.7% in the three month period ended September 30, 2022, compared to 81.3% in the three month period ended September 30, 2021. For the nine month period ended September 30, 2022, this ratio decreased to 66.8% from 76.4% in the comparable period in 2021. The decrease in the loss ratio for the three month and nine month periods ended September 30, 2022 was primarily due to a decrease in the loss ratio in the Medicare supplement line of business as a result of improved rate adequacy, partially offset by an increase in the loss ratio in the group lines of business.

Commissions and underwriting expenses increased \$1.0 million, or 10.7%, during the three month period ended September 30, 2022, and decreased \$1.6 million, or 5.7%, during the nine month period ended September 30, 2022, over the comparable periods in 2021. As a percentage of earned premiums, underwriting expenses were 34.4% in the three month period ended September 30, 2022, compared to 31.1% in the three month period ended September 30, 2021. For the nine month period ended September 30, 2022, this ratio decreased to 30.0% from 31.7% in the comparable period in 2021. The increase in the expense ratio for the three month period ended September 30, 2022 was primarily due to an increase in commission expense and insurance servicing costs resulting from new sales within the group life line of business. The decrease in the expense ratio for the nine month period ended September 30, 2022 was primarily due to the level of additions to deferred acquisition costs ("DAC") exceeding the amortization of DAC.

**Net Investment Income and Realized Gains**

Investment income increased \$0.5 million, or 23.6%, during the three month period ended September 30, 2022, and \$1.0 million, or 15.3%, during the nine month period ended September 30, 2022, over the comparable periods in 2021. The increase in investment income in each of the three month and nine month periods ended September 30, 2022, from the comparable periods in 2021, was primarily attributable to the increase in the equity in earnings from investments in the Company's limited liability companies of \$0.3 million and \$0.4 million, respectively. Also, contributing to the increase in investment income during the nine month period ended September 30, 2022 from the comparable period in 2021 was prepayment income of \$0.3 million related to the redemption of certain fixed maturities.



The Company had net realized investment gains of \$0.1 million during the three month period ended September 30, 2022, compared to net realized investment gains of \$0.3 million during the three month period ended September 30, 2021. The Company had net realized investment gains of nil during the nine month period ended September 30, 2022 and net realized investment gains of \$0.5 million during the nine month period ended September 30, 2021. The net realized investment gains during the three month and nine month periods ended September 30, 2022 resulted primarily from the disposition of several of the Company's investments in fixed maturity securities, partially offset by the redemption of certain fixed maturity securities. The net realized investment gains during the three month and nine month periods ended September 30, 2021 resulted from the disposition of several of the Company's investments in fixed maturity securities. Management continually evaluates the Company's investment portfolio and makes adjustments for impairments and/or divests investments as may be determined to be appropriate.

#### **Unrealized Gains (Losses) on Equity Securities**

Investments in equity securities are measured at fair value at the end of the reporting period, with any changes in fair value reported in net income during the period, with certain exceptions. The Company recognized net unrealized losses on equity securities of \$2.8 million during the three month period ended September 30, 2022 and unrealized gains on equity securities of \$0.7 million during the three month period ended September 30, 2021. The Company recognized net unrealized losses on equity securities of \$5.5 million during the nine month period ended September 30, 2022 and unrealized gains on equity securities of \$5.5 million during the nine month period ended September 30, 2021. Changes in unrealized gains on equity securities for the applicable periods are primarily the result of fluctuations in the market value of certain of the Company's equity securities.

#### **Interest Expense**

Interest expense increased \$0.2 million, or 50.7%, during the three month period ended September 30, 2022, and \$0.3 million, or 24.1%, during the nine month period ended September 30, 2022, from the comparable periods in 2021. Changes in interest expense were primarily due to changes in the London Interbank Offered Rate ("LIBOR"), as the interest rates on the Company's outstanding junior subordinated deferrable interest debentures ("Junior Subordinated Debentures") and the revolving credit facility are directly related to LIBOR. The Company is preparing for the expected discontinuation of LIBOR by identifying, assessing and monitoring risks associated with LIBOR transition. Preparation includes taking steps to update operational processes to support alternative reference rates and models, as well as evaluating legacy contracts for any changes that may be required, including the determination of applicable fallbacks.

#### **Liquidity and Capital Resources**

The primary 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. Current and expected patterns of claim frequency and severity may change from period to period but generally are expected to continue within historical ranges. The Company's primary sources of cash are written premiums, investment income and proceeds from the sale and maturity of its invested assets. The Company believes that, within each operating company, total invested assets will be sufficient to satisfy all policy liabilities and that cash inflows from investment earnings, future premium receipts and reinsurance collections will be adequate to fund the payment of claims and operating expenses as needed.

Cash flows at the Parent are derived from dividends, management fees, and tax-sharing payments, as described below, from the subsidiaries. The principal cash needs of the Parent are for the payment of operating expenses, the acquisition of capital assets and debt service requirements, as well as the repurchase of shares and payments of any dividends as may be authorized and approved by the Company's board of directors from time to time. At September 30, 2022, the Parent had approximately \$3.8 million of unrestricted cash and investments.

The Parent's insurance subsidiaries reported statutory net income of \$5.7 million for the nine month period ended September 30, 2022, compared to statutory net income of \$0.8 million for the nine month period ended September 30, 2021. Statutory results are impacted by the recognition of all costs of acquiring business. In periods in which the Company's first year premiums increase, statutory results are generally lower than results determined under GAAP. Statutory results for the Company's property and casualty operations may differ from the Company's results of operations under GAAP due to the deferral of acquisition costs for financial reporting purposes. The Company's life and health operations' statutory results may differ from GAAP results primarily due to the deferral of acquisition costs for financial reporting purposes, as well as the use of different reserving methods.

Over 90% of the invested assets of the Parent's insurance subsidiaries are invested in marketable securities that can be converted into cash, if required; however, the use of such assets by the Company is limited by state insurance regulations. Dividend payments to a parent corporation by its wholly owned insurance subsidiaries are subject to annual limitations and are restricted to 10% of statutory surplus or statutory earnings before recognizing realized investment gains of the individual insurance subsidiaries. At September 30, 2022, American Southern had \$53.0 million of statutory capital and surplus and Bankers Fidelity had \$35.3 million of statutory capital and surplus. In 2022, dividend payments by the Parent's insurance subsidiaries in excess of \$5.6 million would require prior approval. Through September 30, 2022, the Parent received dividends of \$4.5 million from its subsidiaries.

The Parent provides certain administrative and other services to each of its insurance subsidiaries. The amounts charged to and paid by the subsidiaries include reimbursements for various shared services and other expenses incurred directly on behalf of the subsidiaries by the Parent. In addition, there is in place a formal tax-sharing agreement between the Parent and its insurance subsidiaries. As a result of the Parent's tax loss, it is anticipated that the tax-sharing agreement will continue to provide the Parent with additional funds from profitable subsidiaries to assist in meeting its cash flow obligations.

The Company has two statutory trusts which exist for the exclusive purpose of issuing trust preferred securities representing undivided beneficial interests in the assets of the trusts and investing the gross proceeds of the trust preferred securities in Junior Subordinated Debentures. The outstanding \$18.0 million and \$15.7 million of Junior Subordinated Debentures mature on December 4, 2032 and May 15, 2033, respectively, are callable quarterly, in whole or in part, only at the option of the Company, and have an interest rate of three-month LIBOR plus an applicable margin. The margin ranges from 4.00% to 4.10%. At September 30, 2022, the effective interest rate was 7.07%. The obligations of the Company with respect to the issuances of the trust preferred securities represent a full and unconditional guarantee by the Parent of each trust's obligations with respect to the trust preferred securities. Subject to certain exceptions and limitations, the Company may elect from time to time to defer Junior Subordinated Debenture interest payments, which would result in a deferral of distribution payments on the related trust preferred securities. As of September 30, 2022, the Company has not made such an election.

The Company intends to pay its obligations under the Junior Subordinated Debentures using existing cash balances, dividend and tax-sharing payments from the operating subsidiaries, or from existing or potential future financing arrangements.

At September 30, 2022, the Company had 55,000 shares of Series D preferred stock ("Series D Preferred Stock") outstanding. All of the shares of Series D Preferred Stock are held by an affiliate of the Company's controlling shareholder. The outstanding shares of Series D Preferred Stock have a stated value of \$100 per share; accrue annual dividends at a rate of \$7.25 per share (payable in cash or shares of the Company's common stock at the option of the board of directors of the Company) and are cumulative. In certain circumstances, the shares of the Series D Preferred Stock may be convertible into an aggregate of approximately 1,378,000 shares of the Company's common stock, subject to certain adjustments and provided that such adjustments do not result in the Company issuing more than approximately 2,703,000 shares of common stock without obtaining prior shareholder approval; and are redeemable solely at the Company's option. The Series D Preferred Stock is not currently convertible. At September 30, 2022, the Company had accrued but unpaid dividends on the Series D Preferred Stock totaling \$0.3 million.

Bankers Fidelity Life Insurance Company ("BFLIC") is a member of the Federal Home Loan Bank of Atlanta ("FHLB"), for the primary purpose of enhancing financial flexibility. As a member, BFLIC can obtain access to low-cost funding and also receive dividends on FHLB stock. The membership arrangement provides for credit availability of five percent of statutory admitted assets, or approximately \$8.0 million, as of September 30, 2022. Additional FHLB stock purchases may be required based upon the amount of funds borrowed from the FHLB. As of September 30, 2022, BFLIC has pledged bonds having an amortized cost of \$7.3 million to the FHLB. BFLIC may be required to post additional acceptable forms of collateral for any borrowings that it makes in the future from the FHLB. As of September 30, 2022, BFLIC does not have any outstanding borrowings from the FHLB.

On May 12, 2021, the Company entered into a Revolving Credit Agreement (the "Credit Agreement") with Truist Bank as the lender (the "Lender"). The Credit Agreement provides for an unsecured \$10.0 million revolving credit facility that matures on April 12, 2024. Under the Credit Agreement, the Company will pay interest on the unpaid principal balance of outstanding revolving loans at the LIBOR Rate (as defined in the Credit Agreement) plus 2.00%, subject to a LIBOR floor rate of 1.00%.

The Credit Agreement requires the Company to comply with certain covenants, including a debt to capital ratio that restricts the Company from incurring consolidated indebtedness that exceeds 35% of the Company's consolidated capitalization at any time. The Credit Agreement also contains customary representations and warranties and events of default. Events of default include, among others, (a) the failure by the Company to pay any amounts owed under the Credit Agreement when due, (b) the failure to perform and not timely remedy certain covenants, (c) a change in control of the Company and (d) the occurrence of bankruptcy or insolvency events. Upon an event of default, the Lender may, among other things, declare all obligations under the Credit Agreement immediately due and payable and terminate the revolving commitments. As of September 30, 2022, the Company had outstanding borrowings of \$1.0 million under the Credit Agreement.

Cash and cash equivalents decreased from \$24.8 million at December 31, 2021 to \$21.9 million at September 30, 2022. The decrease in cash and cash equivalents during the nine month period ended September 30, 2022 was primarily attributable to net cash used in operating activities of \$2.2 million. Also contributing to the decrease in cash and cash equivalents was net cash used in investing activities of \$1.1 million primarily as a result of investment purchases exceeding investment sales and maturity of securities. Partially offsetting the decrease in cash and cash equivalents was net cash provided by financing activities of \$0.5 million primarily as a result of proceeds from bank financing.

The Company believes that existing cash balances as well as the dividends, fees, and tax-sharing payments it expects to receive from its subsidiaries and, if needed, borrowings under its credit facilities or additional borrowings from financial institutions, 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.

#### Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 (the "Exchange Act") reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives. The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures can prevent all possible errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There are inherent limitations in all control systems, including the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the intentional acts of one or more persons. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and, while our disclosure controls and procedures are designed to be effective under circumstances where they should reasonably be expected to operate effectively, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in any control system, misstatements due to possible errors or fraud may occur and may not be detected. An evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There have been no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

On October 31, 2016, the Board of Directors of the Company approved a plan that allows for the repurchase of up to 750,000 shares of the Company's common stock (the "Repurchase Plan") on the open market or in privately negotiated transactions, as determined by an authorized officer of the Company. Any such repurchases can be made from time to time in accordance with applicable securities laws and other requirements.

The table below sets forth information regarding repurchases by the Company of shares of its common stock on a monthly basis during the three month period ended September 30, 2022. No purchases of common stock were made by or on behalf of the Company pursuant to the Repurchase Plan during the periods described below. Total number of shares purchased represents the number of shares of common stock that were withheld by the Company to satisfy employee's income tax withholding and remittance obligations in connection with the vesting of employee restricted stock grants.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
July 1 – July 31, 2022	—	\$ —	—	325,129
August 1 – August 31, 2022	—	—	—	325,129
September 1 – September 30, 2022	31,268	2.98	—	325,129
<b>Total</b>	<b>31,268</b>	<b>\$ 2.98</b>	<b>—</b>	

**Item 6. Exhibits**

<a href="#">31.1</a>	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<a href="#">31.2</a>	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<a href="#">32.1</a>	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

SIGNATURES

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

ATLANTIC AMERICAN CORPORATION

(Registrant)

Date: November 8, 2022

By: /s/ J. Ross Franklin

J. Ross Franklin  
Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Hilton H. Howell, Jr., certify that:

1. I have reviewed this report on Form 10-Q of Atlantic American Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2022

/s/ Hilton H. Howell, Jr.  
Hilton H. Howell, Jr.  
President and Chief Executive Officer

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, J. Ross Franklin, certify that:

1. I have reviewed this report on Form 10-Q of Atlantic American Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2022

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/s/ J. Ross Franklin  
J. Ross Franklin  
Vice President and  
Chief Financial Officer

Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Quarterly Report on Form 10-Q of Atlantic American Corporation (the "Company") for the quarterly period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: November 8, 2022

/s/ Hilton H. Howell, Jr.  
Hilton H. Howell, Jr.  
President and Chief Executive Officer

Date: November 8, 2022

/s/ J. Ross Franklin  
J. Ross Franklin  
Vice President and  
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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