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, 2024

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	**58-1027114**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
4370 Peachtree Road, N.E., **Atlanta, Georgia**	**30319**
(Address of principal executive offices)	*(Zip Code)*

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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, 2024 was 20,399,758**.**

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 discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 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)

	Unaudited September 30, 2024	December 31, 2023
ASSETS		
Cash and cash equivalents	$ 23,035	$ 28,301
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost: $237,207 and $238,626; no allowance for credit losses)	221,696	218,219
Equity securities, at fair value (cost: $4,940 and $4,936)	7,800	9,413
Other invested assets (cost: $9,300 and $6,982)	8,205	6,381
Policy loans	1,738	1,778
Real estate	38	38
Investment in unconsolidated trusts	1,238	1,238
Total investments	240,715	237,067
Receivables:		
Reinsurance (net of allowance for expected credit losses of $53 and $61)	21,600	21,103
Insurance premiums and other (net of allowance for expected credit losses of $215 and $217)	30,492	23,690
Deferred income taxes, net	16,079	15,682
Deferred acquisition costs	44,284	43,850
Other assets	8,240	9,028
Intangibles	2,544	2,544
Total assets	$ 386,989	$ 381,265
LIABILITIES AND SHAREHOLDERS' EQUITY		
Insurance reserves and policyholder funds:		
Future policy benefits	$ 97,077	$ 92,495
Unearned premiums	28,972	31,317
Losses and claims	91,864	87,478
Other policy liabilities	969	1,132
Total insurance reserves and policyholder funds	218,882	212,422
Accounts payable and accrued expenses	24,586	24,811
Revolving credit facility	4,024	3,019
Junior subordinated debenture obligations, net	33,738	33,738
Total liabilities	281,230	273,990
Commitments and contingencies (Notes 3 and 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: 20,399,758 and 20,402,288	22,401	22,401
Additional paid-in capital	57,425	57,425
Retained earnings	45,543	50,929
Accumulated other comprehensive loss	(12,253)	(16,121)
Unearned stock grant compensation	(4)	(13)
Treasury stock, at cost: 2,001,136 and 1,998,606 shares	(7,408)	(7,401)
Total shareholders' equity	105,759	107,275
Total liabilities and shareholders' equity	$ 386,989	$ 381,265

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, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Revenue:				
Insurance premiums, net	$ 43,782	$ 43,746	$ 133,327	$ 135,906
Net investment income	2,477	2,325	7,449	7,425
Realized investment gains, net	4	—	17	70
Unrealized losses on equity securities, net	(1,746)	(1,486)	(1,617)	(3,367)
Other income	2	6	8	14
Total revenue	44,519	44,591	139,184	140,048
Benefits and expenses:				
Insurance benefits and losses incurred	30,760	26,818	94,492	86,643
Commissions and underwriting expenses	11,490	11,064	35,740	36,830
Interest expense	869	850	2,591	2,407
Other expense	3,854	3,721	12,170	11,631
Total benefits and expenses	46,973	42,453	144,993	137,511
Income (loss) before income taxes	(2,454)	2,138	(5,809)	2,537
Income tax expense (benefit)	(456)	379	(1,129)	480
Net income (loss)	(1,998)	1,759	(4,680)	2,057
Preferred stock dividends	(100)	(100)	(299)	(299)
Net income (loss) applicable to common shareholders	$ (2,098)	$ 1,659	$ (4,979)	$ 1,758
Earnings (loss) per common share (basic)	$ (0.10)	$ 0.08	$ (0.24)	$ 0.09
Earnings (loss) per common share (diluted)	$ (0.10)	$ 0.08	$ (0.24)	$ 0.09

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	$ (1,998)	$ 1,759	$ (4,680)	$ 2,057
Other comprehensive income (loss):				
Available-for-sale fixed maturity securities:				
Gross unrealized holding gains (losses) arising in the period	9,095	(7,604)	4,913	(6,038)
Related income tax effect	(1,910)	1,596	(1,032)	1,267
Subtotal	7,185	(6,008)	3,881	(4,771)
Less: reclassification adjustment for net realized gains included in net income (loss)	(4)	—	(17)	(70)
Related income tax effect	1	—	4	15
Subtotal	(3)	—	(13)	(55)
Total other comprehensive income (loss), net of tax	7,182	(6,008)	3,868	(4,826)
Total comprehensive income (loss)	$ 5,184	$ (4,249)	$ (812)	$ (2,769)

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, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Preferred stock:				
Balance, beginning of period	$ 55	$ 55	$ 55	$ 55
Balance, end of period	55	55	55	55
Common stock:				
Balance, beginning of period	22,401	22,401	22,401	22,401
Balance, end of period	22,401	22,401	22,401	22,401
Additional paid-in capital:				
Balance, beginning of period	57,425	57,425	57,425	57,425
Balance, end of period	57,425	57,425	57,425	57,425
Retained earnings:				
Balance, beginning of period	47,641	52,006	50,929	51,982
Cumulative effect of adoption of updated accounting guidance for credit losses at January 1, 2023	—	—	—	(75)
Net income (loss)	(1,998)	1,759	(4,680)	2,057
Dividends on common stock	—	(408)	(407)	(408)
Dividends accrued on preferred stock	(100)	(100)	(299)	(299)
Balance, end of period	45,543	53,257	45,543	53,257
Accumulated other comprehensive loss:				
Balance, beginning of period	(19,435)	(20,967)	(16,121)	(22,149)
Other comprehensive income (loss), net of tax	7,182	(6,008)	3,868	(4,826)
Balance, end of period	(12,253)	(26,975)	(12,253)	(26,975)
Unearned stock grant compensation:				
Balance, beginning of period	(7)	(33)	(13)	(132)
Amortization of unearned compensation	3	17	9	116
Balance, end of period	(4)	(16)	(4)	(16)
Treasury stock:				
Balance, beginning of period	(7,408)	(7,401)	(7,401)	(7,389)
Net shares acquired related to employee share-based compensation plans	—	—	(7)	(12)
Balance, end of period	(7,408)	(7,401)	(7,408)	(7,401)
Total shareholders' equity	$ 105,759	$ 98,746	$ 105,759	$ 98,746
Dividends declared on common stock per share	$ —	$ 0.02	$ 0.02	$ 0.02
Common shares outstanding:				
Balance, beginning of period	20,399,758	20,402,288	20,402,288	20,407,229
Net shares acquired under employee share-based compensation plans	—	—	(2,530)	(4,941)
Balance, end of period	20,399,758	20,402,288	20,399,758	20,402,288

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, 2024	Nine Months Ended September 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (4,680)	$ 2,057
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
(Additions to) amortization of acquisition costs, net	(434)	355
Realized investment gains, net	(17)	(70)
Unrealized investment losses, net	1,617	3,367
Losses from equity method investees	494	343
Compensation expense related to share awards	9	116
(Benefit) provision for credit losses	(10)	3
Depreciation and amortization	297	521
Deferred income tax benefit	(1,425)	(1,711)
Increase in receivables, net	(7,289)	(5,230)
Increase (decrease) in insurance reserves and policyholder funds	6,460	(663)
Decrease in accounts payable and accrued expenses	(524)	(2,644)
Other, net	689	13
Net cash used in operating activities	(4,813)	(3,543)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investments sold	40	5,038
Proceeds from investments matured, called or redeemed	9,963	8,000
Investments purchased	(10,916)	(14,942)
Additions to property and equipment	(126)	(75)
Net cash used in investing activities	(1,039)	(1,979)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of dividends on common stock	(407)	(408)
Treasury stock acquired — net employee share-based compensation	(7)	(12)
Proceeds from revolving credit facility, net	1,000	1,000
Net cash provided by financing activities	586	580
Net decrease in cash and cash equivalents	(5,266)	(4,942)
Cash and cash equivalents at beginning of period	28,301	28,863
Cash and cash equivalents at end of period	$ 23,035	$ 23,921
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 2,600	$ 2,370
Cash paid for income taxes	$ 580	$ 2,026

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 and Significant Accounting Policies

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, Bankers Fidelity Assurance Company and Atlantic Capital Life 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, 2023 (the "2023 Annual Report"). For more information regarding Significant Accounting Policies, see the "Summary of Significant Accounting Policies" section of Note 1 of Notes to Consolidated Financial Statements in the 2023 Annual Report. The Company's financial condition and operating results as of and for the three month and nine month periods ended September 30, 2024 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, 2024 or for any other future period.

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. To the extent that the Company changes its accounting for, or presentation of, items in the financial statements, the presentation of such amounts in prior periods is changed to conform to the current period presentation, if appropriate, and disclosed, if material.

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 2023 Annual Report.

Note 3. Investments

The following tables set forth the estimated fair value, gross unrealized gains, gross unrealized losses, allowance for credit losses ("ACL") 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, 2024 and December 31, 2023.

Fixed maturities were comprised of the following:

	September 30, 2024				
	Estimated Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Cost or Amortized Cost
Fixed maturities:					
Bonds:					
U.S. Treasury securities and obligations of U.S. Government agencies and authorities	$ 47,712	$ 114	$ 3,802	$ —	$ 51,400
Obligations of states and political subdivisions	7,998	31	1,166	—	9,133
Corporate securities:					
Utilities and telecom	23,997	343	2,310	—	25,964
Financial services	60,596	811	3,323	—	63,108
Other business – diversified	35,873	434	2,450	—	37,889
Other consumer – diversified	45,300	155	4,375	—	49,520
Total corporate securities	165,766	1,743	12,458	—	176,481
Redeemable preferred stocks:					
Other consumer – diversified	220	27	—	—	193
Total redeemable preferred stocks	220	27	—	—	193
Total fixed maturities	$ 221,696	$ 1,915	$ 17,426	$ —	$ 237,207

	December 31, 2023				
	Estimated Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Cost or Amortized Cost
Fixed maturities:					
Bonds:					
U.S. Treasury securities and obligations of U.S. Government agencies and authorities	$ 50,059	$ 63	$ 4,944	$ —	$ 54,940
Obligations of states and political subdivisions	8,106	15	1,424	—	9,515
Corporate securities:					
Utilities and telecom	21,309	143	2,582	—	23,748
Financial services	59,584	560	4,931	—	63,955
Other business – diversified	34,386	403	2,940	—	36,923
Other consumer – diversified	44,570	87	4,870	—	49,353
Total corporate securities	159,849	1,193	15,323	—	173,979
Redeemable preferred stocks:					
Other consumer – diversified	205	13	—	—	192
Total redeemable preferred stocks	205	13	—	—	192
Total fixed maturities	$ 218,219	$ 1,284	$ 21,691	$ —	$ 238,626

Bonds having an amortized cost of $14,720 and $14,647 and included in the tables above were on deposit with insurance regulatory authorities as of September 30, 2024 and December 31, 2023, respectively, in accordance with statutory requirements. In addition, the Company maintains cash and cash equivalents on deposit with insurance regulatory authorities of $226 as of September 30, 2024 and December 31, 2023. Additionally, bonds having an amortized cost of $9,282 and $9,584 and included in the tables above were pledged as collateral to the Federal Home Loan Bank of Atlanta (“FHLB”) at September 30, 2024 and December 31, 2023, respectively.

Equity securities were comprised of the following:

	September 30, 2024			
	Estimated Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Cost
Equity securities:				
Common and non-redeemable preferred stocks:				
Financial services	$ 1,105	$ 798	$ —	$ 307
Communications	6,695	2,062	—	4,633
Total equity securities	$ 7,800	$ 2,860	$ —	$ 4,940

	December 31, 2023			
	Estimated Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Cost
Equity securities:				
Common and non-redeemable preferred stocks:				
Financial services	$ 924	$ 621	$ —	$ 303
Communications	8,489	3,856	—	4,633
Total equity securities	$ 9,413	$ 4,477	$ —	$ 4,936

The carrying value and amortized cost of the Company's investments in fixed maturities at September 30, 2024 and December 31, 2023 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, 2024		December 31, 2023	
	Carrying Value	Amortized Cost	Carrying Value	Amortized Cost
Due in one year or less	$ 8,345	$ 8,377	$ 1,715	$ 1,750
Due after one year through five years	60,863	61,888	60,423	62,423
Due after five years through ten years	31,179	32,624	33,596	36,752
Due after ten years	89,027	98,917	86,857	97,984
Asset backed securities	32,282	35,401	35,628	39,717
Totals	$ 221,696	$ 237,207	$ 218,219	$ 238,626

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, 2024 and December 31, 2023.

	September 30, 2024					
	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	$ 250	$ —	$ 34,170	$ 3,802	$ 34,420	$ 3,802
Obligations of states and political subdivisions	—	—	6,190	1,166	6,190	1,166
Corporate securities	870	128	132,367	12,330	133,237	12,458
Total temporarily impaired securities	$ 1,120	$ 128	$ 172,727	$ 17,298	$ 173,847	$ 17,426

	December 31, 2023					
	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	$ 5,194	$ 37	$ 39,476	$ 4,907	$ 44,670	$ 4,944
Obligations of states and political subdivisions	1,145	3	5,936	1,421	7,081	1,424
Corporate securities	539	13	138,283	15,310	138,822	15,323
Total temporarily impaired securities	$ 6,878	$ 53	$ 183,695	$ 21,638	$ 190,573	$ 21,691

Analysis of Securities in Unrealized Loss Positions

As of September 30, 2024 and December 31, 2023, there were 183 and 222 securities, respectively, in an unrealized loss position which primarily included certain of the Company's investments in fixed maturities within the utilities and telecom, financial services, other diversified business and other diversified consumer sectors. The unrealized losses on the Company's fixed maturity securities investments have been primarily related to general market changes in interest rates and/or the levels of credit spreads rather than specific concerns with the issuer's ability to pay interest and repay principal.

For any of its fixed maturity securities with significant declines in fair value, the Company performs detailed analyses to identify whether the drivers of the declines are due to general market drivers, such as the recent increases in interest rates, or due to credit-related factors. Identifying the drivers of the declines in fair value helps to align and allocate the Company's resources to securities with real credit-related concerns that could impact the ultimate collection of principal and interest. For any significant declines in fair value determined to be non-interest rate or market related, the Company performs a more focused review of the related issuers' specific credit profile.

For corporate issuers, the Company evaluates their assets, business profile including industry dynamics and competitive positioning, financial statements and other available financial data. For non-corporate issuers, the Company analyzes all reasonably available sources of credit support, including issuer-specific factors. The Company utilizes information available in the public domain and, for certain private placement issuers, from consultations with the issuers directly. The Company also considers ratings from Nationally Recognized Statistical Rating Organizations, as well as the specific characteristics of the security it owns including seniority in the issuer's capital structure, covenant protections, or other relevant features. From these reviews, the Company evaluates the issuers' continued ability to service the Company's investment through payment of interest and principal.

Assuming no credit-related factors develop, unrealized gains and losses on fixed maturity securities are expected to diminish as investments near maturity. Based on its credit analysis, the Company believes that the issuers of its fixed maturity investments in the sectors shown in the table above have the ability to service their obligations to the Company. In addition, the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be at maturity.

However, from time to time the Company identifies certain available-for-sale fixed maturity securities where the amortized cost basis exceeds the present value of the cash flows expected to be collected due to credit related factors and as a result, a credit allowance will be estimated. The Company had no ACL on its available-for-sale fixed maturities as of September 30, 2024 or December 31, 2023.

The following tables summarize realized investment gains for the three month and nine month periods ended September 30, 2024 and 2023.

	Three Months Ended September 30, 2024			
	Fixed Maturities	Equity Securities	Other Invested Assets	Total
Gains	$ 4	$ —	$ —	$ 4
Losses	—	—	—	—
Realized investment gains, net	$ 4	$ —	$ —	$ 4

	Three Months Ended September 30, 2023			
	Fixed Maturities	Equity Securities	Other Invested Assets	Total
Gains	$ —	$ —	$ —	$ —
Losses	—	—	—	—
Realized investment gains, net	$ —	$ —	$ —	$ —

	Nine Months Ended September 30, 2024			
	Fixed Maturities	Equity Securities	Other Invested Assets	Total
Gains	$ 19	$ —	$ —	$ 19
Losses	(2)	—	—	(2)
Realized investment gains, net	$ 17	$ —	$ —	$ 17

	Nine Months Ended September 30, 2023			
	Fixed Maturities	Equity Securities	Other Invested Assets	Total
Gains	$ 70	$ —	$ —	$ 70
Losses	—	—	—	—
Realized investment gains, net	$ 70	$ —	$ —	$ 70

The following table presents the change in unrealized losses related to equity securities still held for the three month and nine month periods ended September 30, 2024 and 2023.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net realized and unrealized losses recognized during the period on equity securities	$ (1,746)	$ (1,486)	$ (1,617)	$ (3,367)
Less: Net realized gains recognized during the period on equity securities sold during the period	—	—	—	—
Unrealized losses recognized during the reporting period on equity securities, net	$ (1,746)	$ (1,486)	$ (1,617)	$ (3,367)

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 $8,205 and $6,381 as of September 30, 2024 and December 31, 2023, respectively. The Company's VIE interests, carried as a part of investment in unconsolidated trusts, totaled $1,238 as of September 30, 2024 and December 31, 2023.

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'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 $9,443 and $7,619, as of September 30, 2024 and December 31, 2023, respectively. As of September 30, 2024 and December 31, 2023, the Company had outstanding commitments totaling $2,200, and $4,518, 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. The reduction in the Company's outstanding commitments was a result of an additional investment of $2,318 in the partnership.

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 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 and 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 one equity security. As of September 30, 2024 and December 31, 2023, the value of the equity security valued using Level 3 criteria was $189 and $185, respectively.

As of September 30, 2024, 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
Assets:				
Fixed maturities	$ —	$ 221,696	$ —	$ 221,696
Equity securities	7,611	—	189	7,800
Cash equivalents	13,329	—	—	13,329
Total	$ 20,940	$ 221,696	$ 189	$ 242,825

As of December 31, 2023, 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
Assets:				
Fixed maturities	$ —	$ 218,219	$ —	$ 218,219
Equity securities	9,228	—	185	9,413
Cash equivalents	14,834	—	—	14,834
Total	$ 24,062	$ 218,219	$ 185	$ 242,466

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, 2024 and December 31, 2023.

		September 30, 2024		December 31, 2023	
	Level in Fair Value Hierarchy (1)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:					
Cash and cash equivalents	Level 1	$ 23,035	$ 23,035	$ 28,301	$ 28,301
Fixed maturities	Level 2	221,696	221,696	218,219	218,219
Equity securities	(1)	7,800	7,800	9,413	9,413
Policy loans	Level 3	1,738	1,738	1,778	1,778
Liabilities:					
Junior subordinated debentures, net	Level 2	33,738	36,211	33,738	33,670
Revolving credit facility	Level 2	4,024	4,024	3,019	3,019

(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. Allowance for Expected Credit Losses

Reinsurance Recoverables

The following table presents the balances of reinsurance recoverables, net of the allowance for expected credit losses, at September 30, 2024 and 2023, and the changes in the allowance for expected credit losses for the three month and nine month periods ended September 30, 2024 and 2023.

	At and for the three months ended September 30, 2024		At and for the nine months ended September 30, 2024	
	Reinsurance Recoverables, Net of Allowance for Expected Credit Losses	Allowance for Expected Credit Losses	Reinsurance Recoverables, Net of Allowance for Expected Credit Losses	Allowance for Expected Credit Losses
Balance, beginning of period	$ 22,496	$ 54	$ 21,103	$ 61
Current period change for estimated uncollectible reinsurance		(1)		(8)
Write-offs of uncollectible reinsurance recoverables		—		—
Balance, end of period	$ 21,600	$ 53	$ 21,600	$ 53

	At and for the three months ended September 30, 2023		At and for the nine months ended September 30, 2023	
	Reinsurance Recoverables, Net of Allowance for Expected Credit Losses	Allowance for Expected Credit Losses	Reinsurance Recoverables, Net of Allowance for Expected Credit Losses	Allowance for Expected Credit Losses
Balance, beginning of period	$ 22,261	$ 66	$ 25,913	$ —
Cumulative effect of adoption of updated accounting guidance for credit losses at January 1, 2023		—		75
Current period change for estimated uncollectible reinsurance		(2)		(11)
Write-offs of uncollectible reinsurance recoverables		—		—
Balance, end of period	$ 21,839	$ 64	$ 21,839	$ 64

Insurance Premium and Other Receivables

The following table presents the balances of insurance premiums and other, net of the allowance for expected credit losses, at September 30, 2024 and 2023, and the changes in the allowance for expected credit losses for the three month and nine month periods ended September 30, 2024 and 2023.

	At and for the three months ended September 30, 2024		At and for the nine months ended September 30, 2024	
	Insurance Premiums and Other, Net of Expected Credit Losses	Allowance for Expected Credit Losses	Insurance Premiums and Other, Net of Expected Credit Losses	Allowance for Expected Credit Losses
Balance, beginning of period	$ 34,220	$ 219	$ 23,690	$ 217
Current period change for expected credit losses		(4)		(2)
Write-offs of uncollectible insurance premiums and other receivables		—		—
Balance, end of period	$ 30,492	$ 215	$ 30,492	$ 215

	At and for the three months ended September 30, 2023		At and for the nine months ended September 30, 2023	
	Insurance Premiums and Other, Net of Expected Credit Losses	Allowance for Expected Credit Losses	Insurance Premiums and Other, Net of Expected Credit Losses	Allowance for Expected Credit Losses
Balance, beginning of period	$ 30,825	$ 213	$ 15,386	$ 177
Cumulative effect of adoption of updated accounting guidance for credit losses at January 1, 2023		—		—
Current period change for expected credit losses		(22)		14
Write-offs of uncollectible insurance premiums and other receivables		—		—
Balance, end of period	$ 24,687	$ 191	$ 24,687	$ 191

Note 6. 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 remainder of the original 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 $78 and $1,218 during the nine months ended September 30, 2024 and 2023, respectively. As a result, the Company has capitalized $4,645 and $4,567 in implementation costs in other assets within its condensed consolidated balance sheet as of September 30, 2024 and December 31, 2023, respectively. The Company expects the software will be substantially ready for its intended use during 2025. Accordingly, the Company has not recorded any amortization expense related to software implementation costs for the three months and nine months ended September 30, 2024 and 2023.

Note 7. Insurance Reserves for Losses and Claims

The roll-forward of insurance reserves for losses and claims for the nine months ended September 30, 2024 and 2023 is as follows:

	Nine Months Ended September 30,	
	2024	2023
Beginning insurance reserves for losses and claims, gross	$ 87,478	$ 87,484
Less: Reinsurance recoverable on unpaid losses	(14,678)	(17,647)
Beginning insurance reserves for losses and claims, net	72,800	69,837
Incurred related to:		
Current accident year	85,132	82,276
Prior accident year development	3,404(1)	2,706(2)
Total incurred	88,536	84,982
Paid related to:		
Current accident year	40,786	43,595
Prior accident years	45,465	41,634
Total paid	86,251	85,229
Ending insurance reserves for losses and claims, net	75,085	69,590
Plus: Reinsurance recoverable on unpaid losses	16,779	16,089
Ending insurance reserves for losses and claims, gross	$ 91,864	$ 85,679

(1) Prior years' development was primarily the result of unfavorable development in the property and casualty operations predominately in the automobile liability line of business due to inflationary factors.

(2) Prior years' development was primarily the result of unfavorable development in the property and casualty operations predominately in the automobile liability line of business due to inflationary factors, partially offset by favorable development in the Medicare supplement line of business in the life and health operations.

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

	Nine Months Ended September 30,	
	2024	2023
Total incurred losses	$ 88,536	$ 84,982
Cash surrender value and matured endowments	898	1,063
Benefit reserve changes	5,058	598
Total insurance benefits and losses incurred	$ 94,492	$ 86,643

Note 8. Credit Arrangements

Bank Debt

On May 12, 2021, the Company entered into a Revolving Credit Agreement with Truist Bank as the lender (the “Lender”). The Revolving Credit Agreement provides for an unsecured $10,000 revolving credit facility that originally matured on April 12, 2024. On March 22, 2024, the Company entered into a First Amendment (the “Amendment”) to its Revolving Credit Agreement (as amended, the “Credit Agreement”) with the Lender. The Amendment, among other things, (a) updates the interest rate provisions to memorialize that the Company pays interest on the unpaid principal balance of outstanding revolving loans at the Adjusted Term SOFR rate (as defined in the Credit Agreement), plus 2.00%, (b) extends the maturity date of the revolving credit facility to March 22, 2027, (c) requires the monthly payment of an unused commitment fee of 0.2% of the unused facility amount, and (d) requires that the Company maintain a consolidated net worth of not less than $64,200. Except as modified by the Amendment, the existing terms of the original Credit Agreement remain in effect.

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 and maintaining a minimum consolidated net worth, as previously mentioned. 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, 2024, and December 31, 2023, the Company had outstanding borrowings including accrued interest of $4,024 and $3,019, respectively, under the Credit Agreement.

For the three months ended September 30, 2024 and 2023, the Company incurred $77 and $56 in interest expense, respectively, on the revolving credit facility borrowing. For the nine months ended September 30, 2024 and 2023, the Company incurred $213 and $142, respectively, in interest expense. During the three month and nine month periods ended September 30, 2024, the Company paid $3 and $6, respectively, in fees on the available unused amount of the revolving credit facility of $6,000. At September 30, 2024 and December 31, 2023, the effective interest rate was 7.35% and 9.69%, respectively.

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 the Company; and (iii) engaging in those activities necessary or incidental thereto.

The outstanding $18,042 and $15,696 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. Prior to July 1, 2023, the interest rate was based on 3-month LIBOR plus an applicable margin. Effective July 1, 2023, the interest rate is determined based on a reference rate of the 3-month SOFR plus applicable tenor spread of 0.26161% plus an applicable margin, ranging from 4.00% to 4.10%. At September 30, 2024, the effective interest rate was 9.39%.

The financial structure of each of Atlantic American Statutory Trust I and II as of September 30, 2024 was as follows:

	Atlantic American Statutory Trust I	Atlantic American Statutory Trust II
JUNIOR SUBORDINATED DEBENTURES (1) (2)		
Principal amount owed September 30, 2024	$ 18,042	$ 23,196
Less: Treasury debt (3)	—	(7,500)
Net balance September 30, 2024	$ 18,042	$ 15,696
Net balance December 31, 2023	$ 18,042	$ 15,696
Coupon rate	3-Month SOFR + 0.26161% spread adj + 4.00%	3-Month SOFR + 0.26161% spread adj + 4.10%
Interest payable	Quarterly	Quarterly
Maturity date	December 4, 2032	May 15, 2033
Redeemable by issuer	Yes	Yes
TRUST PREFERRED SECURITIES		
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	3-Month SOFR + 0.26161% spread adj + 4.00%	3-Month SOFR + 0.26161% spread adj + 4.10%
Distribution payable	Quarterly	Quarterly
Distribution guaranteed by (4)	Atlantic American Corporation	Atlantic American Corporation

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(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 9. Earnings (Loss) Per Common Share

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

	Three Months Ended September 30, 2024		
	Loss	Weighted Average Shares (In thousands)	Per Share Amount
Basic and Diluted Loss Per Common Share:			
Net loss	$ (1,998)	20,400	
Less preferred stock dividends	(100)	—	
Net loss applicable to common shareholders	$ (2,098)	20,400	$ (0.10)

	Three Months Ended September 30, 2023		
	Income	Weighted Average Shares (In thousands)	Per Share Amount
Basic Earnings Per Common Share:			
Net income	$ 1,759	20,402	
Less preferred stock dividends	(100)	—	
Net income applicable to common shareholders	$ 1,659	20,402	$ 0.08
Diluted Earnings Per Common Share:			
Effect of Series D preferred stock	100	1,378	
Net income applicable to common shareholders	$ 1,759	21,780	$ 0.08

	Nine Months Ended September 30, 2024		
	Loss	Weighted Average Shares (In thousands)	Per Share Amount
Basic and Diluted Loss Per Common Share:			
Net loss	$ (4,680)	20,401	
Less preferred stock dividends	(299)	—	
Net loss applicable to common shareholders	$ (4,979)	20,401	$ (0.24)

	Nine Months Ended September 30, 2023		
	Income	Weighted Average Shares (In thousands)	Per Share Amount
Basic and Diluted Earnings Per Common Share:			
Net income	$ 2,057	20,405	
Less preferred stock dividends	(299)	—	
Net income applicable to common shareholders	$ 1,758	20,405	$ 0.09

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, except for the three month period ended September 30, 2023, since its impact would have been antidilutive.

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,	
	2024	2023	2024	2023
Federal income tax provision at statutory rate of 21%	$ (515)	$ 449	$ (1,220)	$ 533
Dividends-received deduction	(10)	(10)	(22)	(27)
Meals and entertainment	18	9	53	32
Vested stock and club dues	—	11	1	14
Parking disallowance	7	5	15	13
Adjustment for prior years' estimates to actual	44	(85)	44	(85)
Income tax expense (benefit)	$ (456)	$ 379	$ (1,129)	$ 480

The components of income tax expense (benefit) were:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Current – Federal	$ 296	$ 790	$ 296	$ 2,191
Deferred – Federal	(752)	(411)	(1,425)	(1,711)
Total	$ (456)	$ 379	$ (1,129)	$ 480

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, 2024 and September 30, 2023 was $761.

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

	Nine Months Ended September 30,	
Other information on operating leases:	2024	2023
Cash payments included in the measurement of lease liabilities reported in operating cash flows	$ 797	$ 784
Right-of-use assets included in other assets on the condensed consolidated balance sheet	1,981	2,817
Weighted average discount rate	6.8%	6.8%
Weighted average remaining lease term in years	2.1 years	3.1 years

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

	Lease Liability
Remainder of 2024	$ 268
2025	1,083
2026	942
Thereafter	—
Total undiscounted lease payments	2,293
Less: present value adjustment	164
Operating lease liability included in accounts payable and accrued expenses on the condensed consolidated balance sheet	$ 2,129

As of September 30, 2024, 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 arising 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 the opinion of management, any such known regulatory matters are not expected to have a material effect on the financial condition or results of operations of the Company.

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 2024 and 2023.

Assets	September 30, 2024	December 31, 2023
American Southern	$ 148,024	$ 149,236
Bankers Fidelity	207,259	203,079
Corporate and Other	31,706	28,950
Total assets	$ 386,989	$ 381,265

	Three Months Ended September 30,		Nine Months Ended September 30,	
Revenues	2024	2023	2024	2023
American Southern	$ 17,282	$ 17,652	$ 54,666	$ 54,817
Bankers Fidelity	27,125	27,249	84,499	85,632
Corporate and Other	112	(310)	19	(401)
Total revenue	$ 44,519	$ 44,591	$ 139,184	$ 140,048

	Three Months Ended September 30,		Nine Months Ended September 30,	
Income (Loss) Before Income Taxes	2024	2023	2024	2023
American Southern	$ (528)	$ 1,437	$ 1,730	$ 3,823
Bankers Fidelity	367	3,502	275	6,705
Corporate and Other	(2,293)	(2,801)	(7,814)	(7,991)
Income (loss) before income taxes	$ (2,454)	$ 2,138	$ (5,809)	$ 2,537

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, 2024. 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, 2023 (the "2023 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, Bankers Fidelity Assurance Company and Atlantic Capital Life Assurance Company (together known as "Bankers Fidelity"). Each operating company is managed separately, offers different products and is evaluated on its individual performance.

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 2023 Annual Report. Except as disclosed in Note 1 of Notes to Condensed Consolidated Financial Statements, the Company's critical accounting policies are consistent with those disclosed in the 2023 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, 2024 and the comparable periods in 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(In thousands)				
Insurance premiums, net	$ 43,782	$ 43,746	$ 133,327	$ 135,906
Net investment income	2,477	2,325	7,449	7,425
Realized investment gains, net	4	—	17	70
Unrealized losses on equity securities, net	(1,746)	(1,486)	(1,617)	(3,367)
Other income	2	6	8	14
Total revenue	44,519	44,591	139,184	140,048
Insurance benefits and losses incurred	30,760	26,818	94,492	86,643
Commissions and underwriting expenses	11,490	11,064	35,740	36,830
Interest expense	869	850	2,591	2,407
Other expense	3,854	3,721	12,170	11,631
Total benefits and expenses	46,973	42,453	144,993	137,511
Income (loss) before income taxes	$ (2,454)	$ 2,138	$ (5,809)	$ 2,537
Net income (loss)	$ (1,998)	$ 1,759	$ (4,680)	$ 2,057

In addition to measures of operating performance determined in accordance with GAAP, management also considers and evaluates performance by analyzing the non-GAAP measure operating income (loss). We define operating income (loss) as net income (loss) excluding: (i) income tax expense (benefit); (ii) realized investment (gains) losses, net; and (iii) unrealized (gains) losses on equity securities, net. Management believes operating income (loss) 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, 2024 and the comparable periods in 2023 is as follows:

Reconciliation of Non-GAAP Financial Measure	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
	(In thousands)			
Net income (loss)	$ (1,998)	$ 1,759	$ (4,680)	$ 2,057
Income tax expense (benefit)	(456)	379	(1,129)	480
Realized investment gains, net	(4)	—	(17)	(70)
Unrealized losses on equity securities, net	1,746	1,486	1,617	3,367
Non-GAAP operating income (loss)	$ (712)	$ 3,624	$ (4,209)	$ 5,834

On a consolidated basis, the Company had net loss of $2.0 million, or $(0.10) per diluted share, for the three month period ended September 30, 2024, compared to net income of $1.8 million, or $0.08 per diluted share, for the three month period ended September 30, 2023. The Company had net loss of $4.7 million, or $(0.24) per diluted share, for the nine month period ended September 30, 2024, compared to net income of $2.1 million, or $0.09 per diluted share, for the nine month period ended September 30, 2023. The increase in net loss for the three month and nine month periods ended September 30, 2024 was primarily the result of unfavorable loss experience in the life and health operations due to an increase in incurred losses in the group life and Medicare supplement lines of business, as well as in the property and casualty operations due to the frequency and severity of claims in the automobile liability line of business, from the comparable periods in 2023.

For the three month period ended September 30, 2024, premium revenue increased slightly to $43.8 million from $43.7 million in the comparable period in 2023. For the nine month period ended September 30, 2024, premium revenue decreased $2.6 million, or 1.9%, to $133.3 million from $135.9 million in the comparable period in 2023. The decrease in premium revenue during the nine month period ended September 30, 2024 was primarily attributable to a decrease in the Medicare supplement insurance premiums in the life and health operations.

Operating income decreased $4.3 million in the three month period ended September 30, 2024 from the three month period ended September 30, 2023. For the nine month period ended September 30, 2024, operating income decreased $10.0 million from the comparable period in 2023. The decrease in operating income for the three month and nine month periods ended September 30, 2024 was primarily the result of an unfavorable loss experience in the life and health operations due to an increase in incurred losses in the group life and Medicare supplement lines of business, as previously mentioned. Also contributing to the decrease in operating income was an unfavorable loss experience in the property and casualty operations due to the frequency and severity of claims in the automobile liability line of business, as previously mentioned, as well as in the automobile physical damage 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, 2024 and the comparable periods in 2023:

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
	(Dollars in thousands)			
Gross written premiums	$ 8,533	$ 10,860	$ 53,502	$ 58,365
Ceded premiums	(1,435)	(1,501)	(4,393)	(4,476)
Net written premiums	$ 7,098	$ 9,359	$ 49,109	$ 53,889
Net earned premiums	$ 16,214	$ 16,571	$ 51,636	$ 51,662
Insurance benefits and losses incurred	13,984	11,881	41,025	38,089
Commissions and underwriting expenses	3,826	4,335	11,911	12,906
Underwriting income (loss)	$ (1,596)	$ 355	$ (1,300)	$ 667
Loss ratio	86.2%	71.7%	79.5%	73.7%
Expense ratio	23.6	26.2	23.1	25.0
Combined ratio	109.8%	97.9%	102.6%	98.7%

Gross written premiums at American Southern decreased $2.3 million, or 21.4%, during the three month period ended September 30, 2024 and decreased $4.9 million, or 8.3%, during the nine month period ended September 30, 2024, from the comparable periods in 2023. The decrease in gross written premiums during the three month and nine month periods ended September 30, 2024 was primarily attributable to the decrease in premiums written in the automobile liability line of business due to the non-renewal of a program, as well as a decrease in premiums written in the automobile physical damage line of business due to a decline in demand within the trucking industry. Also contributing to the decrease in gross written premiums was a decrease in premiums written in the surety line of business due to construction slowdowns in certain regions.

Ceded premiums decreased $0.1 million, or 4.4%, during the three month period ended September 30, 2024 and decreased $0.1 million, or 1.9%, during the nine month period ended September 30, 2024, from the comparable periods in 2023. American Southern's ceded premiums are typically determined as a percentage of earned premiums and generally fluctuate as earned premiums increase or decrease or retentions levels change.

The following presents American Southern's net earned premiums by line of business for the three month and nine month periods ended September 30, 2024 and the comparable periods in 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(In thousands)			
Automobile liability	$ 9,659	$ 9,455	$ 31,311	$ 29,270
Automobile physical damage	3,056	3,534	9,678	11,574
General liability	1,529	1,399	4,550	4,250
Surety	1,377	1,592	4,336	4,696
Other lines	593	591	1,761	1,872
Total	$ 16,214	$ 16,571	$ 51,636	$ 51,662

Net earned premiums decreased $0.4 million, or 2.2%, during the three month period ended September 30, 2024, and decreased slightly during the nine month period ended September 30, 2024, over the comparable periods in 2023. The decrease in net earned premiums during the three month and nine month periods ended September 30, 2024 was primarily attributable to a decrease in earned premiums in the automobile physical damage line of business due to a decline in demand within the trucking industry 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 $2.1 million, or 17.7%, during the three month period ended September 30, 2024, and increased $2.9 million, or 7.7%, during the nine month period ended September 30, 2024, over the comparable periods in 2023. As a percentage of earned premiums, insurance benefits and losses incurred were 86.2% in the three month period ended September 30, 2024, compared to 71.7% in the three month period ended September 30, 2023. For the nine month period ended September 30, 2024, this ratio increased to 79.5% from 73.7% in the comparable period in 2023. The increase in the loss ratio during the three month and nine month periods ended September 30, 2024 was mainly due to an increase in the frequency and severity of claims in the automobile liability line of business. Partially offsetting the increase in the loss ratio was a decrease in the general liability line of business due to favorable reserve development, as a well as a decrease in loss adjustment expenses related to a decline in claims costs.

Commissions and underwriting expenses decreased $0.5 million, or 11.7%, during the three month period ended September 30, 2024, and $1.0 million, or 7.7% during the nine month period ended September 30, 2024, over the comparable periods in 2023. As a percentage of earned premiums, underwriting expenses were 23.6% in the three month period ended September 30, 2024, compared to 26.2% in the three month period ended September 30, 2023. For the nine month period ended September 30, 2024, this ratio decreased to 23.1% from 25.0% in the comparable period in 2023. The decrease in the expense ratio during the three month and nine month periods ended September 30, 2024 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. During the three month and nine month periods ended September 30, 2024, variable commissions at American Southern decreased by $0.3 million and $0.9 million, respectively, from the comparable periods in 2023 due to an unfavorable loss experience from accounts subject to variable commissions.

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, 2024 and the comparable periods in 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Medicare supplement	$ 31,238	$ 32,957	$ 93,408	$ 100,815
Other health products	4,249	3,525	11,697	10,907
Life insurance	5,385	4,619	16,124	14,691
Gross earned premiums	40,872	41,101	121,229	126,413
Ceded premiums	(13,304)	(13,926)	(39,538)	(42,169)
Net earned premiums	27,568	27,175	81,691	84,244
Insurance benefits and losses incurred	16,776	14,937	53,467	48,554
Commissions and underwriting expenses	9,980	8,810	30,756	30,373
Total expenses	26,756	23,747	84,223	78,927
Underwriting income (loss)	$ 812	$ 3,428	$ (2,532)	$ 5,317
Loss ratio	60.9%	55.0%	65.5%	57.6%
Expense ratio	36.2	32.4	37.6	36.1
Combined ratio	97.1%	87.4%	103.1%	93.7%

Net earned premium revenue at Bankers Fidelity increased $0.4 million, or 1.4%, during the three month period ended September 30, 2024, and decreased $2.6 million, or 3.0%, during the nine month period ended September 30, 2024, from the comparable periods in 2023. Gross earned premiums from the Medicare supplement line of business decreased $1.7 million, or 5.2%, during the three month period ended September 30, 2024, and $7.4 million, or 7.3%, during the nine month period ended September 30, 2024, due primarily to non-renewals exceeding the level of new business writings. Other health product premiums increased $0.7 million, or 20.5%, during the three month period ended September 30, 2024, and $0.8 million, or 7.2%, during the nine month period ended September 30, 2024, over the comparable periods in 2023, primarily due to new sales. Gross earned premiums from the life insurance line of business increased $0.8 million, or 16.6%, during the three month period ended September 30, 2024, and $1.4 million, or 9.8%, during the nine month period ended September 30, 2024, over the comparable periods in 2023, 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. Ceded premiums decreased $0.6 million, or 4.5%, during the three month period ended September 30, 2024 and $2.6 million, or 6.2%, during the nine month period ended September 30, 2024, from the comparable periods in 2023. The decrease in ceded premiums for the three month and nine month periods ended September 30, 2024 was due to a decrease in Medicare supplement premiums subject to reinsurance.

Insurance benefits and losses incurred increased $1.8 million, or 12.3%, during the three month period ended September 30, 2024, and increased $4.9 million, or 10.1%, during the nine month period ended September 30, 2024, from the comparable periods in 2023. As a percentage of earned premiums, benefits and losses were 60.9% in the three month period ended September 30, 2024, compared to 55.0% in the three month period ended September 30, 2023. For the nine month period ended September 30, 2024, this ratio increased to 65.5% from 57.6% in the comparable period in 2023. The increase in the loss ratio for the three month and nine month periods ended September 30, 2024 was primarily due to an increase in reserves in the group life line of business, as well as an increase in paid claims in relation to premiums within the Medicare supplement line of business.

Commissions and underwriting expenses increased $1.2 million, or 13.3%, during the three month period ended September 30, 2024, and increased $0.4 million, or 1.3%, during the nine month period ended September 30, 2024, over the comparable periods in 2023. As a percentage of earned premiums, underwriting expenses were 36.2% in the three month period ended September 30, 2024, compared to 32.4% in the three month period ended September 30, 2023. For the nine month period ended September 30, 2024, this ratio increased to 37.6% from 36.1% in the comparable period in 2023. The increase in the expense ratio for the three month period ended September 30, 2024 was primarily due to an increase in administrative costs related to the growth in the group lines of business. Partially offsetting the increase in the expense ratio was a decrease in commission expenses in the group life line of business, coupled with a decrease in the Medicare supplement line of business as a result of non-renewals exceeding the level of new business writings, as previously mentioned.

Net Investment Income and Realized Gains

Investment income increased $0.2 million, or 6.5%, during the three month period ended September 30, 2024, and increased slightly during the nine month period ended September 30, 2024, over the comparable periods in 2023. The increase in investment income in the three month and nine month periods ended September 30, 2024, from the comparable periods in 2023, was primarily attributable to a net loss in a certain investment within the Company's limited liability companies of $0.3 million in the three month and nine month periods ended September 30, 2023, which did not occur in the comparable periods in 2024.

The Company had net realized investment gains of less than $0.1 million during the three month period ended September 30, 2024, compared to no net realized investment gains during the three month period ended September 30, 2023. The Company had net realized investment gains of less than $0.1 million during the nine month period ended September 30, 2024 and net realized investment gains of $0.1 million during the nine month period ended September 30, 2023. The net realized investment gains during the three month and nine month periods ended September 30, 2023 resulted primarily from the redemption of several of the Company's investments in fixed maturity securities. Management continually evaluates the Company's investment portfolio and makes adjustments for credit losses and/or divests investments as may be determined to be appropriate.

Unrealized 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. The Company recognized net unrealized losses on equity securities of $1.7 million during the three month period ended September 30, 2024 and unrealized losses on equity securities of $1.5 million during the three month period ended September 30, 2023. The Company recognized net unrealized losses on equity securities of $1.6 million during the nine month period ended September 30, 2024 and unrealized losses on equity securities of $3.4 million during the nine month period ended September 30, 2023. Changes in unrealized losses on equity securities for the applicable periods are the result of fluctuations in the market value of the Company's equity securities.

Interest Expense

Interest expense increased slightly during the three month period ended September 30, 2024, and $0.2 million, or 7.6%, during the nine month period ended September 30, 2024, from the comparable periods in 2023. Changes in interest expense were primarily due to changes in the Secured Overnight Financing Rate ("SOFR") published by CME Group Benchmark Administration Limited, as the interest rates on the Company's outstanding junior subordinated deferrable interest debentures ("Junior Subordinated Debentures") and the revolving credit facility utilize SOFR as the reference rate.

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, 2024, the Parent had approximately $7.4 million of unrestricted cash and investments.

The Parent's insurance subsidiaries reported statutory net income of $2.0 million for the nine month period ended September 30, 2024, compared to statutory net income of $8.9 million for the nine month period ended September 30, 2023. 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, 2024, American Southern had $50.4 million of statutory capital and surplus and Bankers Fidelity had $31.0 million of statutory capital and surplus. In 2024, dividend payments by the Parent's insurance subsidiaries in excess of $8.8 million would require prior approval. Through September 30, 2024, the Parent received dividends of $8.1 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 3-month CME Term SOFR plus applicable tenor spread of 0.26161% plus an applicable margin. The margin ranges from 4.00% to 4.10%. At September 30, 2024, the effective interest rate was 9.39%. 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, 2024, 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, 2024, 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, 2024, 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 $8.2 million, as of September 30, 2024. Additional FHLB stock purchases may be required based upon the amount of funds borrowed from the FHLB. As of September 30, 2024, BFLIC has pledged bonds having an amortized cost of $9.3 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, 2024, BFLIC does not have any outstanding borrowings from the FHLB.

On May 12, 2021, the Company entered into a Revolving Credit Agreement with Truist Bank as the lender (the “Lender”). The Revolving Credit Agreement provides for an unsecured $10.0 million revolving credit facility that originally matured on April 12, 2024. On March 22, 2024, the Company entered into a First Amendment (the "Amendment") to its Revolving Credit Agreement (as amended, the “Credit Agreement”) with the Lender. The Amendment, among other things, (a) updates the interest rate provisions to memorialize that the Company pays interest on the unpaid principal balance of outstanding revolving loans at the Adjusted Term SOFR rate (as defined in the Credit Agreement), plus 2.00%, (b) extends the maturity date of the revolving credit facility to March 22, 2027, (c) requires the monthly payment of an unused commitment fee of 0.2% of the unused facility amount, and (d) requires that the Company maintain a consolidated net worth of not less than $64.2 million. Except as modified by the Amendment, the existing terms of the original Credit Agreement remain in effect.

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 and maintaining a minimum consolidated net worth, as previously mentioned. 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, 2024 and December 31, 2023, the Company had outstanding borrowings of $4.0 and $3.0 million, respectively, under the Credit Agreement.

Cash and cash equivalents decreased from $28.3 million at December 31, 2023 to $23.0 million at September 30, 2024. The decrease in cash and cash equivalents during the nine month period ended September 30, 2024 was primarily attributable to net cash used in operating activities of $4.8 million. Also contributing to the decrease in cash and cash equivalents was net cash used in investing activities of $1.0 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 $0.6 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

Evaluation of Disclosure 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.

As of the end of the period covered by this report, 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 the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based on that evaluation, management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were not effective as of that date due to a material weakness in internal control over financial reporting described below.

Remediation of Material Weakness in Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company's internal control over financial reporting system has been designed to provide reasonable assurance regarding the reliability and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management recognizes that there are inherent limitations in the effectiveness of any internal control system. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Furthermore, the application of any evaluations of effectiveness on future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As previously disclosed in Part II, Item 9A. "Controls and Procedures" in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, we identified certain deficiencies in internal control that we believe rise to the level of a material weakness. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Specifically, management determined that the design of the controls surrounding the process of reviewing insurance reserves and deferred acquisition costs within the Company's life and health segment was not effective. This deficiency in design did not enable the timely detection of anomalies in these values at the level of precision necessary to detect misstated values that may be material.

Notwithstanding these deficiencies, management believes that, as a result of the actions taken by management to address and correct these deficiencies prior to the completion and filing of the relevant periodic reports for those periods, and the effective operation of other internal controls over financial reporting, the material weakness did not result in any identified material misstatements to our financial statements. As a result, there were no changes to any of our previously-released financial statements.

The Company is currently in the process of remediating the material weakness as described above, which remediation efforts began in the quarter ended March 31, 2024, and continued through the quarter ended September 30, 2024. During the quarter ended September 30, 2024, management instituted a systematic review of the components of underwriting income for the Company's life products. An array of analytical reports designed to help identify potential anomalous actuarial values for these products was implemented during the quarter ended September 30, 2024, and is a key component of this review. Based on this review, management did not identify any material misstatement in the Company's financial statements.

The Company has continued the development of a system to perform calculations independently of the actuarial models. This system is intended to verify that the product parameters and actuarial assumptions are properly reflected in the reported values. It is currently expected that this system will be operational by December 31, 2024.

Changes in Internal Control Over Financial Reporting

Other than the remediation efforts described above, there were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

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.

During the three month period ending September 30, 2024 no purchases of common stock of the Company were made by or on behalf of the Company pursuant to the Repurchase Plan. The maximum number of shares that may yet be purchased under the Repurchase Plan was 325,129 as of September 30, 2024.

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 performance and service.

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 ending September 30, 2024.

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, 2024	—	$ —	—	325,129
August 1 – August 31, 2024	—	—	—	325,129
September 1 – September 30, 2024	—	—	—	325,129
Total	—	$ —	—	

Item 5. Other Information

None of the Company's directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the quarter ended September 30, 2024, as such terms are defined under Item 408(a) of Regulation S-K.

Item 6. Exhibits

31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	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 12, 2024	By: /s/ J. Ross Franklin J. Ross Franklin Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT 31.1

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 12, 2024

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

EXHIBIT 31.2

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 12, 2024

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

EXHIBIT 32.1

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, 2024, 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 12, 2024

/s/ Hilton H. Howell, Jr.

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

Date:
November 12, 2024

/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.