ATLANTIC AMERICAN CORP
Form 10-K
March 26, 2014

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

FORM 10-K

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

For the fiscal year ended December 31, 2013
or

o 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)

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

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

Title of each class	Name of exchange
Common Stock, par value $1.00 per share	NASDAQ Global Market

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).
Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

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

The aggregate market value of voting and nonvoting common stock held by non-affiliates of the registrant as of June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter, was $20,425,813. For purposes hereof, beneficial ownership is determined under rules adopted pursuant to Section 13 of the Securities Exchange Act of 1934, and the foregoing excludes value ascribed to common stock that may be deemed beneficially owned by the directors and executive officers, and 10% or greater stockholders, of the registrant, some of whom may not be deemed to be affiliates upon judicial determination. On March 18, 2014 there were 21,066,647 shares of the registrant's common stock, par value $1.00 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the registrant's Proxy Statement for the 2014 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year end, have been incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K.

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PART I

Item 1. Business

The Company

Atlantic American Corporation, a Georgia corporation incorporated in 1968 (the "Parent" or "Company"), is a holding company that operates through its subsidiaries in well-defined specialty markets within the life and health and property and casualty insurance industries. The Parent's principal operating subsidiaries are American Southern Insurance Company and American Safety Insurance Company (together known as "American Southern") within the property and casualty insurance industry and Bankers Fidelity Life Insurance Company and Bankers Fidelity Assurance Company (together known as "Bankers Fidelity") within the life and health insurance industry. Each of American Southern and Bankers Fidelity is managed separately based upon the type of products it offers, and is evaluated on its individual performance. The Company's strategy is to focus on well-defined geographic, demographic and/or product niches within the insurance marketplace. Each of American Southern and Bankers Fidelity operates with relative autonomy, which structure is designed to allow for quick reaction to market opportunities.

The Parent has no significant business operations of its own and relies on fees, dividends and other distributions from its operating subsidiaries as the principal source of cash flow to meet its obligations. Additional information regarding the cash flow and liquidity needs of the Parent can be found in the Liquidity and Capital Resources section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

Property and Casualty Operations

American Southern comprises the Company's property and casualty operations and its primary product lines are as follows:

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

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

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

Surety Bonds are contracts under which one party, the insurance company issuing the surety bond, guarantees to a third party that the primary party will fulfill an obligation in accordance with a contractual agreement. This obligation may involve meeting a contractual commitment, paying a debt or performing certain duties.

American Southern provides tailored business automobile insurance coverage, on a multi-year contract basis, to state governments, local municipalities and other large motor pools and fleets ("block accounts") that can be specifically rated and underwritten. The size of the block accounts insured by American Southern are generally such that individual class experience can be determined, which allows for customized policy terms and rates. American Southern is licensed to do business in 32 states and the District of Columbia. While the majority of American Southern's premiums are derived from its automobile lines of business, American Southern also offers personal property, inland marine and general liability coverages. Additionally, American Southern directly provides surety bond coverage for school bus transportation and subdivision construction, as well as performance and payment bonds.

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

	Year Ended December 31,	
	2013	2012
	(In thousands)	
Automobile liability	$24,259	$17,319
Automobile physical damage	8,365	7,556
General liability	3,521	3,442
Property	2,699	2,033
Surety	7,007	7,121
Total	$45,851	$37,471

Life and Health Operations

Bankers Fidelity comprises the life and health operations of the Company and offers a variety of life and supplemental health products with a focus on the senior markets. Products offered by Bankers Fidelity include ordinary and term life insurance, Medicare supplement and other accident and health insurance products. Health insurance products, primarily Medicare supplement insurance, accounted for 88.8% of Bankers Fidelity's net earned premiums in 2013 while life insurance, including both whole and term life insurance policies, accounted for the balance. In terms of the number of policies written in 2013, 81.1% were health insurance policies and 18.9% were life insurance policies.

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

	Year Ended December 31,	
	2013	2012
	(In thousands)	
Life insurance	$11,139	$11,862
Medicare supplement	83,979	72,920
Other accident and health	4,661	4,490
Total health insurance	88,640	77,410
Total	$99,779	$89,272

Life Insurance products include non-participating individual term and whole life insurance policies with a variety of riders and options. Policy premiums are dependent upon a number of factors, including issue age, level of coverage and selected riders or options.

Medicare Supplement Insurance includes 7 of the 11 standardized Medicare supplement policies created under the Medicare Improvements for Patients and Providers Act of 2008 ("MIPPA"), which are designed to provide insurance coverage for certain expenses not covered by the Medicare program, including copayments and deductibles.

Other Accident and Health Insurance coverages include several policies providing for the payment of standard benefits in connection with the treatment of diagnosed cancer, as well as a number of other policies providing nursing facility care, accident expense, hospital/surgical and disability coverages.

Marketing

Property and Casualty Operations

A portion of American Southern's business is marketed through a small number of specialized, experienced independent agents. American Southern's agent selection process is actively managed by internal marketing personnel with oversight from management. Senior management carefully reviews all new programs prior to acceptance. Most of American Southern's agents are paid an up-front commission with the potential for additional commissions by participating in a profit sharing arrangement that is directly linked to the profitability of the underlying business. American Southern also solicits business from governmental entities. As an experienced writer of insurance policies for certain governmental programs, the company actively pursues this market on a direct basis. Much of this business is priced by means of competitive bid situations and there can be no assurance that the company can obtain or retain such business at the time of a specific contract renewal.

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Life and Health Operations

Bankers Fidelity markets its policies through three distribution channels all of which utilize commissioned, independent agents. The three channels utilized include traditional independent agents, broker-agents typically interested in a specific product of Bankers Fidelity and special market agents who promote workplace, association and/or branded products.

Bankers Fidelity has implemented an agent qualification process and had 2,485 licensed agents as of December 31, 2013. The agents generally concentrate their sales activities in both the accident and health or life insurance product lines. During 2013, approximately 933 of the licensed agents wrote policies on behalf of Bankers Fidelity.

Bankers Fidelity, in an effort to motivate all of its licensed agents to market its products, offers the following: competitive products and commission structures, efficient claims service, prompt payment of commissions that vest immediately, simplified policy issuance procedures, periodic sales incentive programs and, as described below, for traditional independent agents, protected sales territories determined based on specific counties and/or zip codes.

In the traditional independent agent arrangement, Bankers Fidelity enters into contractual arrangements with various regional sales directors and general agents responsible for marketing and other sales activities, who may also, in turn, recommend appointment of other independent agents. The standard agreements set forth the commission arrangements and are terminable without cause by either party upon notice. Regional sales directors and general agents receive an override commission on sales made by agents sponsored by them. Management believes utilizing experienced agents, as well as independent general agents who recruit and train their own agents, is cost effective. All independent agents are compensated primarily on a commission basis. Using independent agents also enables Bankers Fidelity to effectively expand or contract its sales force without incurring significant expense.

With the traditional independent agents, the company utilizes a lead generation system that rewards qualified agents with leads in accordance with certain production criteria. In addition, a protected territory is established for qualified agents, which entitles them to all leads produced within that territory. The territories are zip code or county based and encompass sufficient geographic territory designed to produce an economically serviceable senior population. The Company believes that offering a lead generation system solves an agent’s most important dilemma -- prospecting -- and allows Bankers Fidelity to build long-term relationships with agents who view Bankers Fidelity as their primary company. In addition, management believes that Bankers Fidelity’s product line is less sensitive to competitor pricing and commissions because of the perceived value of the protected territory and the lead generation system. In protected geographical areas, production per agent has historically compared favorably to unprotected areas served by the general brokerage division.

Products of Bankers Fidelity compete directly with products offered by other insurance companies, and agents may represent multiple insurance companies. Broker-agents generally are not interested in developing relationships with any one particular insurance company but are more interested in matching a specific product with the specific needs of their clients. These agents, while a source of business, do not participate in the company’s lead generation system, but can qualify for other incentives that Bankers Fidelity offers to its traditional independent agents.

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Bankers Fidelity also has a number of agents, some of whom belong to marketing organizations that solicit business from various groups including employers, trade associations and/or other organizations. Depending on the group's needs, these agents may target one specific product or a group of Bankers Fidelity's products to market to a group's members. These agents also do not participate in the company's lead generation system, but can also qualify for other incentives that Bankers Fidelity offers to its traditional independent agents.

Underwriting

Property and Casualty Operations

American Southern specializes in underwriting various risks that are sufficiently large enough to establish separate class experience, relying upon the underwriting expertise of its agents.

During the course of the policy life, extensive use is made of risk management representatives to assist commercial underwriters in identifying and correcting potential loss exposures and to physically inspect new accounts. The underwriting results from each insured are reviewed on an individual basis periodically. When results are below expectations, management takes corrective action which may include adjusting rates, revising underwriting standards, adjusting commissions paid to agents, and/or altering or declining to renew accounts at expiration.

Life and Health Operations

Bankers Fidelity issues a variety of products for both life and health insurance markets, with a focus on senior life products typically with small face amounts of between $3,000 and $50,000, and Medicare supplement insurance. The majority of its products utilize "Yes" or "No" applications that are underwritten on a non-medical basis. Bankers Fidelity offers products to all age groups; however, its primary marketing focus is the senior market which is generally defined as individuals 65 years of age or older. For life products offered to other than the senior market, Bankers Fidelity may require medical information, such as medical examinations, subject to published age guidelines and coverage limits. Approximately 95% of the annualized premiums for both life and health insurance sold during 2013 were derived from insurance written on a non-medical basis. For the senior market, Bankers Fidelity offers life products primarily on a simplified policy issue basis with coverage amounts up to $50,000 for preferred rates, up to $35,000 for standard rates and up to $20,000 for graded death benefits and modified rates. Bankers Fidelity retains a maximum coverage amount of $100,000 with respect to any individual life policy (see "Reinsurance").

Applications for insurance are reviewed to determine the face amount, age, medical history and any other necessary information. Bankers Fidelity utilizes information obtained directly from the insured, the Medical Information Bureau ("M.I.B."), paramedical testing, and/or medical records. Bankers Fidelity may also utilize investigative services to supplement and substantiate information. For certain limited coverages, Bankers Fidelity has adopted simplified policy issuance procedures by which an application containing a variety of health related questions is submitted. For these plans, Bankers Fidelity obtains M.I.B. and prescription drug utilization reports and conducts a telephone interview, however, will generally not request paramedical testing or medical records.

Policyholder and Claims Services

The Company believes that prompt, efficient policyholder and claims services are essential to its continued success in marketing its insurance products (see "Competition"). Additionally, the Company believes that its insureds are particularly sensitive to claims processing time and to the accessibility of qualified staff to answer inquiries. Accordingly, the Company's policyholder and claims services seek to offer expeditious disposition of service requests by providing toll-free access for all customers, 24-hour claim reporting services, and direct computer links with some of its largest accounts. The Company also utilizes an automatic call distribution system to ensure that inbound calls to customer service support groups are processed efficiently. Operational data generated from this system allows

management to further refine ongoing client service programs and service representative training modules.

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Property and Casualty Operations

American Southern controls its claims costs by utilizing an in-house staff of claims supervisors to investigate, verify, negotiate and settle claims. Upon notification of an occurrence purportedly giving rise to a claim, a claim file is established. The claims department then conducts a preliminary investigation, determines whether an insurable event has occurred and, if so, updates the file for the findings and any required reserve adjustments. Frequently, independent adjusters and appraisers are utilized to service claims which require on-site inspections.

Life and Health Operations

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

Reserves

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

	2013	2012
	(In thousands)	
Balance at January 1	$62,873	$57,975
Less: Reinsurance receivable on unpaid losses	(18,743)	(15,673)
Net balance at January 1	44,130	42,302
Incurred related to:		
Current year	97,904	86,780
Prior years [1]	(1,657)	(1,841)
Total incurred	96,247	84,939
Paid related to:		
Current year	66,705	61,786
Prior years	24,968	21,325
Total paid	91,673	83,111
Net balance at December 31	48,704	44,130
Plus: Reinsurance receivable on unpaid losses	14,314	18,743
Balance at December 31	$63,018	$62,873

(1) Favorable loss development from property and casualty operations for the years ended December 31, 2013 and 2012 was $2.5 million and $1.7 million, respectively. See Note 3 of Notes to Consolidated Financial Statements.

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Reserves are set by line of business within each of the subsidiaries. At December 31, 2013, approximately 81% of the reserves related to property and casualty losses and approximately 19% related to life and health losses. The Company's property and casualty operations incur losses which may take extended periods of time to evaluate and settle. Issues with respect to legal liability, actual loss quantification, legal discovery and ultimate subrogation, among other factors, may influence the initial and subsequent estimates of loss. In the property and casualty operations, the Company's general practice is to reserve at the higher end of the determined reasonable range of loss if no other value within the range is determined to be more probable. The Company's life and health operations generally incur losses which are more readily quantified. Medical claims received are recorded in case reserves based on contractual terms using the submitted billings as a basis for determination. Life claims are recorded based on contract value at the time of notification to the Company; although policy reserves related to such contracts have been previously established. Individual case reserves are established by a claims processor on each individual claim and are periodically reviewed and adjusted as new information becomes known during the course of handling a claim. Regular internal periodic reviews are also performed by management to ensure that loss reserves are established and revised timely relative to the receipt of new or additional information. Lines of business for which loss data (e.g. paid losses and case reserves) emerge over a long period of time are referred to as long-tail lines of business. Lines of business for which loss data emerge more quickly are referred to as short-tail lines of business. The Company's long-tail line of business generally consists of its general liability coverage while the short-tail lines of business generally consist of property and automobile coverages.

The Company's actuaries regularly review reserves for both current and prior accident years using the most current claims data. These reviews incorporate a variety of actuarial methods (discussed in Critical Accounting Policies) and judgments and involve a disciplined analysis. For most lines of business, certain actuarial methods and specific assumptions are deemed more appropriate based on the current circumstances affecting that line of business. These selections incorporate input from claims personnel and operating management on reported loss cost trends and other factors that could affect the reserve estimates.

For long-tail lines of business, the emergence of paid losses and case reserves is less credible in the early periods, and accordingly may not be indicative of ultimate losses. For these lines, methods which incorporate a development pattern assumption are given less weight in calculating incurred but not reported ("IBNR") reserves for the early periods of loss emergence because such a low percentage of ultimate losses are reported in that time frame. Accordingly, for any given accident year, the rate at which losses on long-tail lines of business emerge in the early periods is generally not as reliable an indication of ultimate losses as it would be for shorter-tail lines of business. The estimation of reserves for these lines of business in the early periods of loss emergence is therefore largely influenced by statistical analyses and application of prior accident years' loss ratios, after considering changes to earned pricing, loss costs, mix of business, ceded reinsurance and other factors that are expected to affect the estimated ultimate losses. For later periods of loss emergence, methods which incorporate a development pattern assumption are given more weight in estimating ultimate losses.

For short-tail lines of business, the emergence of paid loss and case reserves is more credible in the early periods and is more likely to be indicative of ultimate losses. The method used to set reserves for these lines of business is based upon utilization of a historical development pattern for reported losses. IBNR reserves for the current year are set as the difference between the estimated fully developed ultimate losses for each year, less the established, related case reserves and cumulative related payments. IBNR reserves for prior accident years are similarly determined, again relying on an indicated, historical development pattern for reported losses.

Based on the results of regular reserve estimate reviews, the Company determines the appropriate reserve adjustment, if any, to record in each period. If necessary, recorded reserve estimates are changed after consideration of numerous factors, including, but not limited to, the magnitude of the difference between the actuarial indication and the recorded reserves, improvement or deterioration of actuarial indication in the period, the maturity of the accident year, trends observed over the recent past and the level of volatility within a particular line of business. In general, changes are

made more quickly to recognize changes in estimates to ultimate losses in mature accident years and less volatile lines of business.

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Estimating case reserves and ultimate losses involves various considerations which differ according to the line of business. In addition, changes in legislative and regulatory environments may impact loss estimates. General liability claims may have a long pattern of loss emergence. Given the broad nature of potential general liability coverages, investigative time periods may be extended and questions of coverage may exist. Such uncertainties create greater imprecision in estimating required levels of loss reserves. The property and automobile lines of business generally have less variable reserve estimates than other lines. This is largely due to the coverages having relatively shorter periods of loss emergence. Estimates, however, can still vary due to a number of factors, including interpretations of frequency and severity trends. Severity trends can be impacted by changes in internal claim handling and reserving practices in addition to changes in the external environment. These changes in claim practices increase the uncertainty in the interpretation of case reserve data, which increases the uncertainty in recorded reserve levels.

Components of the Company's reserves for losses and claims by product line at December 31, 2013 were as follows:

	Case	IBNR	Total
	(In thousands)		
Business automobile	$19,559	$13,121	$32,680
Personal automobile/physical damage	1,086	184	1,270
General & other liability	2,728	7,982	10,710
Other lines (including life)	2,481	4,278	6,759
Medicare supplement	151	9,513	9,664
Unallocated loss adjustment reserves	-	1,935	1,935
Total reserves for losses and claims	$26,005	$37,013	$63,018

The Company's policy is to record reserves for losses and claims in amounts which approximate actuarial best estimates of ultimate values. Actuarial best estimates do not necessarily represent the midpoint value determined using the various actuarial methods; however, such estimates will fall between the estimated low and high end reserve values. The range of estimates developed in connection with the December 31, 2013 actuarial review indicated that reserves could be as much as 11.6% lower or as much as 9.3% higher. In the opinion of management, recorded reserves represent the best estimate of outstanding losses, although significant judgments are made in the derivation of reserve estimates and revisions to such estimates are expected to be made in future periods. Any such revisions could be material, and may materially adversely affect the Company's financial condition and results of operations in any future period.

Property and Casualty Operations

American Southern maintains loss reserves representing estimates of amounts necessary for payment of losses and LAE, and which are not discounted. IBNR reserves are also maintained for future development. These loss reserves are estimates, based on known facts and circumstances at a given date, of amounts the Company expects to pay on incurred claims. All balances are reviewed periodically by the Company's independent consulting actuary. Reserves for LAE are intended to cover the ultimate costs of settling claims, including investigation and defense of any lawsuits resulting from such claims. Loss reserves for reported claims are based on a case-by-case evaluation of the type of claim involved, the circumstances surrounding the claim, and the policy provisions relating to the type of loss along with anticipated future development. The LAE for claims reported and claims not reported is based on historical statistical data and anticipated future development. Inflation and other factors which may affect claim payments are implicitly reflected in the reserving process through analysis and consideration of cost trends and reviews of historical reserve results.

American Southern establishes reserves for claims based upon: (a) management's estimate of ultimate liability and claims adjusters' evaluations of unpaid claims reported prior to the close of the accounting period, (b) estimates of IBNR claims based on past experience, and (c) estimates of LAE. If no value is determined to be more probable in

estimating a loss after considering all factors, the Company's general practice is to reserve at the higher end of the determined reasonable range of loss. The estimated liability is periodically reviewed and updated, and changes to the estimated liability are recorded in the statement of operations in the period in which such changes become known.

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The following table sets forth the development of reserves for unpaid losses and claims determined using generally accepted accounting principles of American Southern's insurance lines from 2003 through 2013. Specifically excluded from the table are the life and health division's claims reserves, which are included in the consolidated loss and claims reserves. The top line of the table represents the estimated cumulative amount of losses and LAE for claims arising in all prior years that were unpaid at the balance sheet date for each of the indicated periods, including an estimate of IBNR losses at the applicable date. The amounts represent initial reserve estimates at the respective balance sheet dates for the current and all prior years. The next portion of the table shows the cumulative amounts paid with respect to claims in each succeeding year. The lower portion of the table shows the re-estimated amounts of previously recorded reserves based on experience as of the end of each succeeding year.

The reserve estimates are modified as more information becomes known about the frequency and severity of claims for individual years. The "cumulative redundancy" for each year represents the aggregate change in such year's estimates through the end of 2013. Furthermore, the amount of the redundancy for any year represents the cumulative amount of the changes from initial reserve estimates for such year. Operations for any year may be affected, favorably or unfavorably, by the amount of the change in the estimate for such years; however, because such analysis is based on the reserves for unpaid losses and claims, before consideration of reinsurance, the total indicated redundancies may not ultimately be reflected in the Company's net income. Further, conditions and trends that have affected development of reserves in the past may not necessarily occur in the future and there could be future events or actions that impact future development which have not existed in the past. Accordingly, the accurate prediction of future redundancies based on the data in the following table is not possible.

	Year Ended December 31,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	(Dollars In thousands)									
Reserve for Losses and LAE	$51,200	$52,764	$49,478	$46,092	$42,248	$44,928	$43,994	$45,655	$43,593	$42,310
Cumulative paid as of:										
One year later		25,352	18,959	15,183	10,486	13,627	11,630	18,010	14,254	16,521
Two years later			34,805	25,333	17,462	19,003	21,187	24,793	23,967	24,217
Three years later				34,266	23,231	22,197	23,993	29,338	27,235	28,775
Four years later					29,254	24,016	25,733	30,853	29,179	31,019
Five years later						28,898	27,160	31,486	30,629	31,594
Six years later							31,659	32,415	30,961	32,149
Seven years later								35,695	31,346	32,248
Eight years later									33,776	32,403
Nine years later										34,237
Ten years later										

Ultimate losses and LAE reestimated as of:										
End of year	$51,200	$52,764	$49,478	$46,092	$42,248	$44,928	$43,994	$45,655	$43,593	$42,310
One year later		47,639	44,180	39,999	32,563	31,649	33,663	35,590	34,897	37,280
Two years later			46,109	38,859	30,562	28,386	29,903	34,163	32,929	34,108
Three years later				39,153	30,288	27,570	29,077	33,499	31,560	33,338
Four years later					31,798	28,169	29,162	32,753	32,043	33,370
Five years later						30,883	30,156	33,049	32,085	33,090
Six years later							33,091	33,933	32,192	32,960
Seven years later								36,262	31,836	32,986
Eight years later									34,167	32,726
Nine years later										34,587
Ten years later										
Cumulative redundancy		$5,125	$3,369	$6,939	$10,450	$14,045	$10,903	$9,393	$9,426	$7,723
		9.7 %	6.8 %	15.1 %	24.7 %	31.3 %	24.8 %	20.6 %	21.6 %	18.3 %

Note: This analysis is based on reserves for unpaid losses and claims, before consideration of reinsurance; therefore the total indicated redundancies may not ultimately be reflected in the Company's net income.

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Life and Health Operations

Bankers Fidelity establishes liabilities for future policy benefits to meet projected future obligations under outstanding policies. These reserves are calculated to satisfy policy and contract obligations as they mature. The amount of reserves for insurance policies is calculated using assumptions for interest rates, mortality and morbidity rates, expenses, and withdrawals. Reserves are adjusted periodically based on published actuarial tables with modifications to reflect actual experience. The use of significantly different assumptions, or actual results that differ significantly from our estimates, could materially adversely affect our liquidity, results of operations or financial condition. See Note 3 of Notes to Consolidated Financial Statements.

Reinsurance

The Company's insurance subsidiaries from time to time purchase reinsurance from unaffiliated insurers and reinsurers to reduce their potential liability on individual risks and to protect against catastrophic losses. In a reinsurance transaction, an insurance company transfers, or "cedes," a portion or all of its exposure on insurance policies to a reinsurer. The reinsurer assumes the exposure in return for a portion of the premiums. The ceding of insurance does not legally discharge the insurer from primary liability for the full amount of the policies written by it, and the ceding company will incur a loss if the reinsurer fails to meet its obligations under the reinsurance agreement.

Property and Casualty Operations

American Southern's basic reinsurance treaties generally cover all claims in excess of specified per occurrence limitations. Limits per occurrence within the reinsurance treaties are as follows: Fire - $125,000 excess of $50,000 retention; Inland marine and commercial automobile physical damage - $125,000 excess of $75,000 retention; and automobile liability and general liability - excess coverage of $2.0 million less retentions that may vary from $100,000 to $150,000 depending on the account. American Southern maintains a property catastrophe treaty with a $5.7 million limit excess of $300,000 retention. American Southern also issues individual surety bonds with face amounts generally up to $1.5 million, and limited to $5.0 million in aggregate per account, that are not reinsured.

Life and Health Operations

Bankers Fidelity has entered into reinsurance contracts ceding the excess of its retention to several primary reinsurers. Maximum retention by Bankers Fidelity on any one individual in the case of life insurance policies is $100,000. At December 31, 2013, $18.5 million of the $259.7 million of life insurance in force at Bankers Fidelity was reinsured, generally under yearly renewable term agreements. Certain prior year reinsurance agreements also remain in force although they no longer provide reinsurance for new business.

Competition

Competition for insurance products is based on many factors including premiums charged, terms and conditions of coverage, service provided, financial ratings assigned by independent rating agencies, claims services, reputation, perceived financial strength and the experience of the organization in the line of business being written.

Property and Casualty Operations

The businesses in which American Southern engages are highly competitive. The principal areas of competition are pricing and service. Many competing property and casualty companies, which have been in business longer than American Southern, offer more diversified lines of insurance and have substantially greater financial resources. Management believes, however, that the policies it sells are competitive with those providing similar benefits offered by other insurers doing business in the states in which American Southern operates. American Southern attempts to

develop strong relationships with its agents and, consequently, believes it is better positioned for new opportunities and programs with those agents.

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Life and Health Operations

The life and health insurance business also remains highly competitive and includes a large number of insurance companies, many of which have substantially greater financial resources than Bankers Fidelity or the Company. Bankers Fidelity offers life insurance products, Medicare supplement and other accident and health insurance products with a focus on the senior market. Bankers Fidelity believes that its primary competitors are Blue Cross / Blue Shield, Globe Life and Accident Insurance Company, Lincoln Heritage Life Insurance Company, Mutual of Omaha, Oxford Life Insurance Company, United Commercial Travelers of America, United Healthcare, United World Life Insurance Company and Woodmen of the World. Bankers Fidelity competes with these as well as other insurers on the basis of premium rates, policy benefits and service to policyholders. Bankers Fidelity also competes with other insurers to attract and retain the allegiance of its independent agents through commission and sales incentive arrangements, accessibility and marketing assistance, lead programs, reputation, and market expertise. In order to better compete, Bankers Fidelity actively seeks opportunities in niche markets, developing long-term relationships with a select number of independent marketing organizations promoting worksite marketing and selective association endorsements. Bankers Fidelity has a track record of successfully competing in its chosen markets by establishing relationships with independent agents and providing proprietary marketing initiatives as well as providing outstanding service to policyholders. Bankers Fidelity believes that it competes effectively on the bases of policy benefits, services and market segmentation.

Ratings

Ratings of insurance companies are not designed for investors and do not constitute recommendations to buy, sell, or hold any security. Ratings are important measures within the insurance industry, and higher ratings should have a favorable impact on the ability of a company to compete in the marketplace.

Each year A.M. Best Company, Inc. (“A.M. Best”) publishes Best’s Insurance Reports, which includes assessments and ratings of all insurance companies. A.M. Best’s ratings, which may be revised quarterly, fall into fifteen categories ranging from A++ (Superior) to F (in liquidation). A.M. Best’s ratings are based on a detailed analysis of the statutory financial condition and operations of an insurance company compared to the industry in general.

American Southern. American Southern and its wholly-owned subsidiary, American Safety Insurance Company, are each, as of the date of this report, rated “A” (Excellent) by A.M. Best.

Bankers Fidelity. Bankers Fidelity Life Insurance Company is, as of the date of this report, rated “A-” (Excellent) by A.M. Best.

Regulation

In common with all domestic insurance companies, the Company’s insurance subsidiaries are subject to regulation and supervision in the jurisdictions in which they do business. Statutes typically delegate regulatory, supervisory, and administrative powers to state insurance commissioners. The method of such regulation varies, but regulation relates generally to the licensing of insurers and their agents, the nature of and limitations on investments, approval of policy forms, reserve requirements, the standards of solvency to be met and maintained, deposits of securities for the benefit of policyholders, and periodic examinations of insurers and trade practices, among other things. The Company’s products generally are subject to rate regulation by state insurance commissions, which require that certain minimum loss ratios be maintained. Certain states also have insurance holding company laws which require registration and periodic reporting by insurance companies controlled by other corporations licensed to transact business within their respective jurisdictions. The Company’s insurance subsidiaries are subject to such legislation and are registered as controlled insurers in those jurisdictions in which such registration is required. Such laws vary from state to state, but typically require periodic disclosure concerning the corporation which controls the registered insurers and all

subsidiaries of such corporations, as well as prior notice to, or approval by, the state insurance commissioners of intercorporate transfers of assets (including payments of dividends by the insurance subsidiaries in excess of specified amounts) within the holding company system.

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Most states require that rate schedules and other information be filed with the state's insurance regulatory authority, either directly or through a ratings organization with which the insurer is affiliated. The regulatory authority may disapprove a rate filing if it determines that the rates are inadequate, excessive, or discriminatory. The Company has historically experienced no significant regulatory resistance to its applications for rate adjustments; however, the Company cannot provide any assurance that it will not receive any objections to any applications in the future.

A state may require that acceptable securities be deposited for the protection either of policyholders located in those states or of all policyholders. As of December 31, 2013, securities with an amortized cost of $10.1 million were on deposit either directly with various state authorities or with third parties pursuant to various custodial agreements on behalf of the Company's insurance subsidiaries.

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

NAIC Ratios

The National Association of Insurance Commissioners (the "NAIC") was established to, among other things, provide guidelines to assess the financial strength of insurance companies for state regulatory purposes. The NAIC conducts annual reviews of the financial data of insurance companies primarily through the application of 13 financial ratios prepared on a statutory basis. The annual statements are submitted to state insurance departments to assist them in monitoring insurance companies in their state and to set forth a desirable range in which companies should fall in each such ratio.

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

For the year ended December 31, 2013, Bankers Fidelity Life Insurance Company was within the NAIC "usual" range for all 13 financial ratios. American Southern was within the "usual" range for 12 of the 13 financial ratios, but was outside the "usual" range on the change in net premiums written ratio due to the significant increase in premiums resulting from a new state contract awarded to American Southern in 2013.

Risk-Based Capital

Risk-based capital ("RBC") is a metric used by ratings agencies and regulators as an early warning tool to identify weakly capitalized companies for the purpose of initiating further regulatory action. The RBC calculation determines the amount of adjusted capital needed by a company to avoid regulatory action. "Authorized Control Level Risk-Based Capital" ("ACL") is calculated, and if a company's adjusted capital is 200% or lower than ACL, it is subject to regulatory action. At December 31, 2013, the Company's insurance subsidiaries exceeded the RBC regulatory levels.

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Investments

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

	December 31,					
	2013			2012		
	Amount	Percent		Amount	Percent	
	(Dollars in thousands)					
Fixed maturities:						
U.S. Treasury securities and obligations of U.S. Government agencies and authorities	$17,240	7.6	%	$27,512	11.1	%
States, municipalities and political subdivisions	7,611	3.3		17,761	7.2	
Public utilities	7,620	3.3		9,740	4.0	
All other corporate bonds	166,481	72.7		171,527	69.5	
Redeemable preferred stock	2,351	1.0		3,968	1.6	
Total fixed maturities[1]	201,303	87.9		230,508	93.4	
Common and non-redeemable preferred stocks[2]	21,890	9.6		12,205	4.9	
Policy loans[3]	2,369	1.0		2,338	1.0	
Other invested assets[4]	2,123	0.9		565	0.2	
Real estate	38	0.0		38	0.0	
Investments in unconsolidated trusts	1,238	0.6		1,238	0.5	
Total investments	$228,961	100.0	%	$246,892	100.0	%

(1) Fixed maturities are carried on the balance sheet at estimated fair value. Certain fixed maturities do not have publicly quoted prices, and are carried at estimated fair value as determined by management. Total adjusted cost of fixed maturities was $201.2 million as of December 31, 2013 and $202.0 million as of December 31, 2012.

(2) Equity securities are carried on the balance sheet at estimated fair value. Total adjusted cost of equity securities was $12.4 million as of December 31, 2013 and $10.5 million as of December 31, 2012.

(3) Policy loans are valued at historical cost.

(4) Investments in other invested assets are accounted for using the equity method. Total cost of other invested assets was $2.1 million as of December 31, 2013 and $0.6 million as of December 31, 2012.

Estimated fair values are determined as discussed in Note 1 of Notes to Consolidated Financial Statements.

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

	Year Ended December 31,					
	2013			2012		
	(Dollars in thousands)					
Average investments[1]	$241,278			$233,007		
Net investment income	10,335			11,310		
Average yield on investments	4.3	%		4.9	%	
Realized investment gains, net	8,741			1,434		

(1) Calculated as the average of cash and investment balances (at amortized cost) at the beginning of the year and at the end of each of the succeeding four quarters.

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Management's recent investment strategy has been a continued focus on quality, higher yielding corporate bonds and preferred stocks; but at the same time shortening up on maturities to give recognition to the rise and potential future increases in longer-term interest rates.

Employees

The Company and its subsidiaries employed 133 people at December 31, 2013. Of the 133 people employed at December 31, 2013, 128 were full-time.

Financial Information by Industry Segment

Each of American Southern and Bankers Fidelity operate with relative autonomy and each company is evaluated on its individual performance. American Southern operates in the property and casualty insurance market, while Bankers Fidelity operates in the life and health insurance market. Each segment derives revenue from the collection of premiums, as well as from investment income. Substantially all revenue other than that in the corporate and other segment is from external sources. See Note 14 of Notes to Consolidated Financial Statements.

Available Information

The Company files annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports and other information with the Securities and Exchange Commission (the "SEC"). The public can read and obtain copies of those materials by visiting the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements and other information regarding issuers like the Company that file electronically with the SEC. The address of the SEC's web site is www.sec.gov. In addition, as soon as reasonably practicable after such materials are filed with or furnished to the SEC by the Company, the Company makes copies available to the public, free of charge, on or through its web site at www.atlam.com. Neither the Company's website, nor the information appearing on the website, is included, incorporated into, or a part of, this report.

Executive Officers of the Registrant

The table below and the information following the table set forth, for each executive officer of the Company as of December 31, 2013, his name, age, positions with the Company and business experience for the past five years, as well as any prior service to the Company.

Name	Age	Positions with the Company	Director or Officer Since
Hilton H. Howell, Jr.	51	Chairman of the Board, President & CEO	1992
John G. Sample, Jr.	57	Senior Vice President, CFO and Secretary	2002

Officers are elected annually and serve at the discretion of the board of directors.

Mr. Howell has been President and Chief Executive Officer of the Company since May 1995, and prior thereto served as Executive Vice President of the Company from October 1992 to May 1995. He has been a Director of the Company since October 1992 and effective February 24, 2009, began serving as Chairman of the board of directors. He is also a director, and serves as chief executive officer, of Gray Television, Inc.

Mr. Sample has served as Senior Vice President and Chief Financial Officer of the Company since July 2002 and Secretary since May 2010. Prior to joining the Company in July 2002, he had been a partner of Arthur Andersen LLP

since 1990. Mr. Sample is also a director of 1st Franklin Financial Corporation.

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Forward-Looking Statements

Certain of the statements contained herein are forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Exchange Act of 1933, and Section 21E of the Securities Exchange Act of 1934, and include estimates and assumptions related to, among other things, economic, competitive and legislative developments. The forward-looking statements are subject to changes and uncertainties which are, in many instances, beyond the Company's control and have been made based upon management's current expectations and beliefs concerning future developments and their potential effect upon the Company. There can be no assurance that future developments will be in accordance with management's expectations or that the effect of future developments on the Company will be those anticipated by management. Actual results could differ materially from those expected by the Company, depending on the occurrence or outcome of various factors. These factors include, among others: significant changes in general economic conditions; disruption to the financial markets; unanticipated increases in the rate, number and amounts of claims outstanding; the possible occurrence of terrorist attacks; the level of performance of reinsurance companies under reinsurance contracts and the availability, pricing and adequacy of reinsurance to protect the Company against losses; changes in the stock markets, interest rates or other financial markets, including the potential effect on the Company's statutory capital levels; the uncertain effect on the Company of regulatory and market-driven changes in practices relating to the payment of incentive compensation to brokers, agents and other producers; the incidence and severity of catastrophes, both natural and man-made; stronger than anticipated competitive activity; unfavorable judicial or legislative developments; the potential effect of regulatory developments, including those which could increase the Company's business costs and required capital levels; the Company's ability to distribute its products through distribution channels, both current and future; the uncertain effect of emerging claim and coverage issues; and the effect of assessments and other surcharges for guaranty funds and other mandatory pooling arrangements. Many of such factors are beyond the Company's ability to control or predict. As a result, the Company's actual financial condition and results of operations could differ materially from those expressed in any forward-looking statements made by the Company. Undue reliance should not be placed upon forward-looking statements contained herein. The Company does not intend to publicly update any forward-looking statements that may be made from time to time by, or on behalf of, the Company.

Item 1A. Risk Factors

As a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K (a "smaller reporting company"), we have elected to comply with certain scaled disclosure reporting obligations, and therefore do not have to provide the information required by this Item.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Leased Properties. The Company leases space for its principal offices and for some of its insurance operations in an office building located in Atlanta, Georgia, from Delta Life Insurance Company under a lease which continues until either party provides written notice of cancellation at least twelve months in advance of the actual termination date. The lease, which commenced on November 1, 2007, provides for rent adjustments on every fifth anniversary of the commencement date. Under the current terms of the lease, the Company occupies approximately 49,586 square feet of office space. Delta Life Insurance Company, the owner of the building, is controlled by an affiliate of the Company. The terms of the lease are believed by Company management to be comparable to terms which could be obtained by the Company from unrelated parties for comparable rental property.

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American Southern leases space for its office in a building located in Atlanta, Georgia. The lease term expires May 31, 2019. Under the terms of the lease, American Southern occupies approximately 17,014 square feet.

The Company believes that its current properties are in good condition, and are sufficient for the operations of its business.

Item 3. Legal Proceedings

From time to time, the Company and its subsidiaries are, and expect to continue to be, involved in various claims and lawsuits arising in the ordinary course of business, both as a liability insurer defending third-party claims brought against insureds and as an insurer defending coverage claims brought against it. The Company accounts for such exposures through the establishment of loss and loss adjustment expense reserves. We do not expect that the ultimate liability, if any, with respect to such ordinary-course claims litigation, after consideration of provisions made for probable losses and costs of defense, will be material to the Company's consolidated financial condition, although the results of such litigation could be material to the consolidated results of operations for any given period.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

The Company's common stock is quoted on the Nasdaq Global Market (Symbol: AAME). As of March 18, 2014, there were 3,897 shareholders of record. The following table sets forth, for the periods indicated, the high and low sales prices of the Company's common stock as reported on the Nasdaq Global Market.

Year Ended December 31,	High	Low
2013		
1st quarter	$3.45	$2.52
2nd quarter	4.19	3.01
3rd quarter	4.05	3.54
4th quarter	4.13	3.64
2012		
1st quarter	$3.03	$1.91
2nd quarter	3.00	2.44
3rd quarter	2.80	2.51
4th quarter	3.35	2.57

During 2013, the Company paid an annual cash dividend of $0.02 per share. In addition, on February 25, 2014, the Company's board of directors declared an annual cash dividend of $0.02 per share that is payable to shareholders of record as of the close of business on March 27, 2014. Payment of dividends in the future will be at the discretion of the Company's board of directors and will depend upon the financial condition, capital requirements, earnings of the Company, any restrictions contained in any agreements by which the Company is bound, as well as other factors as the board of directors may deem relevant. The Company's primary recurring source of cash for the payment of dividends is dividends from its subsidiaries; although as of December 31, 2013, the Parent held unrestricted cash and investment balances of approximately $32.0 million. Under the insurance code of the state in which each insurance subsidiary is domiciled, dividend payments to the Company by its insurance subsidiaries are subject to certain limitations without the prior approval of the applicable state's Insurance Commissioner.

Issuer Purchases of Equity Securities

On October 30, 2012, 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.

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The table below sets forth information regarding repurchases by the Company of shares of its common stock on a monthly basis during the three month period ended December 31, 2013.

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
October 1 – October 31, 2013	50,061	$ 4.08	50,061	459,150
November 1 – November 30, 2013	-	-	-	459,150
December 1 – December 31, 2013	86,265	3.99	86,265	372,885
Total	136,326	$ 4.02	136,326	

Other than pursuant to the Repurchase Plan, no purchases of common stock of the Company were made by or on behalf of the Company during the periods described above.

Stock Performance Graph

As a smaller reporting company, we have elected to comply with certain scaled disclosure reporting obligations, and therefore do not have to provide the information required by this Item.

Item 6. Selected Financial Data

As a smaller reporting company, we have elected to comply with certain scaled disclosure reporting obligations, and therefore do not have to provide the information required by this Item.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following is management’s discussion and analysis of the financial condition and results of operations of Atlantic American Corporation (“Atlantic American” or the “Parent”) and its subsidiaries (collectively with the Parent, the “Company”) for the years ended December 31, 2013 and 2012. This discussion should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere herein.

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”) in the property and casualty insurance industry, and Bankers Fidelity Life Insurance Company and Bankers Fidelity Assurance Company (together known as “Bankers Fidelity”) in the life and health insurance industry. Each operating company is managed separately, offers different products and is evaluated on its individual performance.

Critical Accounting Policies

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and, in management’s belief, conform to general practices within the

insurance industry. The following is an explanation of the Company's accounting policies and the resultant estimates considered most significant by management. These accounting policies inherently require significant judgment and assumptions and actual operating results could differ significantly from management's estimates determined using these policies. Atlantic American does not expect that changes in the estimates determined using these policies will have a material effect on the Company's financial condition or liquidity, although changes could have a material effect on its consolidated results of operations.

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Unpaid loss and loss adjustment expenses comprised 29% of the Company's total liabilities at December 31, 2013. This liability includes estimates for: 1) unpaid losses on claims reported prior to December 31, 2013, 2) future development on those reported claims, 3) unpaid ultimate losses on claims incurred prior to December 31, 2013 but not yet reported and 4) unpaid loss adjustment expenses for reported and unreported claims incurred prior to December 31, 2013. Quantification of loss estimates for each of these components involves a significant degree of judgment and estimates may vary, materially, from period to period. Estimated unpaid losses on reported claims are developed based on historical experience with similar claims by the Company. Development on reported claims, estimates of unpaid ultimate losses on claims incurred prior to December 31, 2013 but not yet reported, and estimates of unpaid loss adjustment expenses are developed based on the Company's historical experience, using actuarial methods to assist in the analysis. The Company's actuaries develop ranges of estimated development on reported and unreported claims as well as loss adjustment expenses using various methods, including the paid-loss development method, the reported-loss development method, the paid Bornhuetter-Ferguson method and the reported Bornhuetter-Ferguson method. Any single method used to estimate ultimate losses has inherent advantages and disadvantages due to the trends and changes affecting the business environment and the Company's administrative policies. Further, a variety of external factors, such as legislative changes, medical cost inflation, and others may directly or indirectly impact the relative adequacy of liabilities for unpaid losses and loss adjustment expenses. The Company's approach is to select an estimate of ultimate losses based on comparing results of a variety of reserving methods, as opposed to total reliance on any single method. Unpaid loss and loss adjustment expenses are reviewed periodically for significant lines of business, and when current results differ from the original assumptions used to develop such estimates, the amount of the Company's recorded liability for unpaid loss and loss adjustment expenses is adjusted. In the event the Company's actual reported losses in any period are materially in excess of the previously estimated amounts, such losses, to the extent reinsurance coverage does not exist, could have a material adverse effect on the Company's results of operations.

Future policy benefits comprised 32% of the Company's total liabilities at December 31, 2013. These liabilities relate primarily to life insurance products and are based upon assumed future investment yields, mortality rates, and withdrawal rates after giving effect to possible risks of adverse deviation. The assumed mortality and withdrawal rates are based upon the Company's experience. If actual results differ from the initial assumptions, the amount of the Company's recorded liability could require adjustment.

Deferred acquisition costs comprised 9% of the Company's total assets at December 31, 2013. Deferred acquisition costs are commissions, premium taxes, and other costs that vary with and are primarily related to the acquisition of new and renewal business and are generally deferred and amortized. The deferred amounts are recorded as an asset on the balance sheet and amortized to expense in a systematic manner. Traditional life insurance and long-duration health insurance deferred policy acquisition costs are amortized over the estimated premium-paying period of the related policies using assumptions consistent with those used in computing the related liability for policy benefit reserves. The deferred acquisition costs for property and casualty insurance and short-duration health insurance are amortized over the effective period of the related insurance policies. Deferred policy acquisition costs are expensed when such costs are deemed not to be recoverable from future premiums (for traditional life and long-duration health insurance) and from the related unearned premiums and investment income (for property and casualty and short-duration health insurance). Assessments of recoverability for property and casualty and short-duration health insurance are extremely sensitive to the estimates of a subsequent year's projected losses related to the unearned premiums. Projected loss estimates for a current block of business for which unearned premiums remain to be earned may vary significantly from the indicated losses incurred in any previous calendar year.

Receivables are amounts due from reinsurers, insureds and agents, and any sales of investment securities not yet settled, and comprised 7% of the Company's total assets at December 31, 2013. Insured and agent balances are evaluated periodically for collectibility. Annually, the Company performs an analysis of the creditworthiness of the reinsurers with whom the Company contracts using various data sources. Failure of reinsurers to meet their obligations due to insolvencies, disputes or otherwise could result in uncollectible amounts and losses to the

Company. Allowances for uncollectible amounts are established, as and when a loss has been determined probable, against the related receivable. Losses are recognized by the Company when determined on a specific account basis and a general provision for loss is made based on the Company's historical experience.

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Cash and investments comprised 82% of the Company's total assets at December 31, 2013. Substantially all of the Company's investments are in bonds and common and preferred stocks, the values of which are subject to significant market fluctuations. The Company carries all investments as available for sale and, accordingly, at their estimated fair values. The Company owns certain fixed maturities that do not have publicly quoted values, but had an estimated fair value as determined by management of $2.0 million at December 31, 2013. Such values inherently involve a greater degree of judgment and uncertainty and therefore ultimately greater price volatility than the value of securities with publicly quoted market values. On occasion, the value of an investment may decline to a value below its amortized purchase price and remain at such value for an extended period of time. When an investment's indicated fair value has declined below its cost basis for a period of time, the Company evaluates such investment for an other than temporary impairment. The evaluation for an other than temporary impairment is a quantitative and qualitative process, which is subject to risks and uncertainties in the determination of whether declines in the fair value of investments are other than temporary. Potential risks and uncertainties include, among other things, changes in general economic conditions, an issuer's financial condition or near term recovery prospects and the effects of changes in interest rates. In evaluating a potential impairment, the Company considers, among other factors, management's intent and ability to hold these securities until price recovery, the nature of the investment and the expectation of prospects for the issuer and its industry, the status of an issuer's continued satisfaction of its obligations in accordance with their contractual terms, and management's expectation as to the issuer's ability and intent to continue to do so, as well as ratings actions that may affect the issuer's credit status. If an other than temporary impairment is deemed to exist, then the Company will write down the amortized cost basis of the investment to its estimated fair value. While any such write down does not impact the reported value of the investment in the Company's balance sheet, it is reflected as a realized investment loss in the Company's consolidated statements of operations in the period incurred.

The Company determines the fair values of certain financial instruments based on the fair value hierarchy established in Accounting Standards Codification ("ASC") 820-10-20, Fair Value Measurements and Disclosures ("ASC 820-10-20"). The fair values of fixed maturities and equity securities are largely determined by either independent methods prescribed by the National Association of Insurance Commissioners, which do not differ materially from nationally quoted market prices, when available, or independent broker quotations. See Note 2 and Note 15 of the accompanying notes to consolidated financial statements with respect to assets and liabilities carried at fair value and information about the inputs used to value those financial instruments, by hierarchy level, in accordance with ASC 820-10-20.

Deferred income taxes reflect the effect of temporary differences between assets and liabilities that are recognized for financial reporting purposes and the amounts that are recognized for tax purposes. These deferred income taxes are measured by applying currently enacted tax laws and rates. Valuation allowances are recognized to reduce the deferred tax asset to the amount that is deemed more likely than not to be realized. In assessing the likelihood of realization, management considers estimates of future taxable income and tax planning strategies.

Refer to Note 1 of "Notes to Consolidated Financial Statements" for details regarding the Company's significant accounting policies.

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Overall Corporate Results

	Year Ended December 31,	
	2013	2012
	(In thousands)	
Revenue		
Property and Casualty:		
American Southern	$53,938	$42,414
Life and Health:		
Bankers Fidelity	110,069	96,566
Corporate and Other	1,362	848
Total revenue	$165,369	$139,828
Income (loss) before income taxes		
Property and Casualty:		
American Southern	$7,630	$2,825
Life and Health:		
Bankers Fidelity	9,262	8,311
Corporate and Other	(5,686)	(6,054)
Income before income taxes	$11,206	$5,082
Net income	$11,022	$4,436

Management also considers and evaluates performance by analyzing the non-GAAP measure operating income, and believes it is a useful metric for investors, potential investors, securities analysts and others because it isolates the “core” 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 investment gains, which are not a part of the Company’s primary operations and are, to an extent, subject to discretion in terms of timing of realization).

A reconciliation of net income to operating income is as follows:

	Year Ended December 31,	
	2013	2012
	(In thousands)	
Reconcilation of Net Income to non-GAAP Measurement		
Net income	$11,022	$4,436
Income tax expense	184	646
Realized investment gains, net	(8,741)	(1,434)
Operating income	$2,465	$3,648

On a consolidated basis, the Company had net income of $11.0 million, or $0.48 per diluted share, in 2013, compared to net income of $4.4 million, or $0.18 per diluted share, in 2012. Operating income was $2.5 million in 2013 compared to $3.6 million in 2012. The decrease in operating income during 2013 was primarily attributable to increases in advertising expense for television commercials and social media initiatives as well as actuarial consulting expenses related to development of worksite products to broaden overall product offering. Investment income also decreased as the Company sold several higher yielding, longer-term investments in an attempt to shorten the average maturity of the portfolio. Partially offsetting these factors was increased profitability in the property and casualty

operations due to more favorable loss experience in 2013 as compared to 2012 as well as lower interest expense due to the expiration in March 2013 of an interest rate collar.

Total revenue was $165.4 million in 2013 as compared to $139.8 million in 2012. Premium revenue increased to $145.6 million in 2013 from $126.7 million in 2012. The increase in premium revenue was primarily attributable to increases in Medicare supplement business in the life and health operations as well as an increase in the commercial automobile line of business in the property and casualty operations due to a significant new state contract. Also, included in total revenue were net realized investment gains of $8.7 million in 2013 compared to net realized investment gains of $1.4 million in 2012. The magnitude of realized investment gains and losses in any year is a function of the timing of trades of investments relative to the markets themselves as well as the recognition of any other than temporary impairments on investments.

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Total expenses were $154.2 million in 2013 as compared to $134.7 million in 2012. As a percentage of premiums, insurance benefits and losses incurred and commissions and underwriting expenses were 96.8% and 96.5% in 2013 and 2012, respectively. The increase in the ratio was primarily due to increases in advertising expenses as well as development of worksite products discussed previously, partially offset by the increase in premium revenue and more favorable loss experience in the property and casualty operations.

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

UNDERWRITING RESULTS

American Southern

The following table summarizes, for the periods indicated, American Southern's premiums, losses, expenses and underwriting ratios:

	Year Ended December 31,	
	2013	2012
	(Dollars in thousands)	
Gross written premiums	$58,327	$43,785
Ceded premiums	(7,553)	(7,603)
Net written premiums	$50,774	$36,182
Net earned premiums	$45,851	$37,471
Net losses and loss adjustment expenses	30,197	27,337
Underwriting expenses	16,111	12,252
Underwriting loss	$(457)	$(2,118)
Loss ratio	65.9%	73.0%
Expense ratio	35.1	32.7
Combined ratio	101.0%	105.7%

Gross written premiums at American Southern increased $14.5 million, or 33.2%, during 2013 as compared to 2012. The increase in gross written premiums was primarily attributable to an increase in commercial automobile written premiums of which $13.7 million resulted from a new state contract awarded to American Southern in the second quarter of 2013 through a competitive bidding process.

Ceded premiums decreased slightly during 2013 as compared to 2012. American Southern's ceded premiums are determined as a percentage of earned premiums and generally will increase when earned premiums increase. However, the change in ceded premiums during 2013 was disproportionate to the increase in related earned premiums due to a separate reinsurance agreement with different terms to reinsure the commercial automobile business from the new state contract referenced previously.

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The following table summarizes, for the periods indicated, American Southern's net earned premiums by line of business:

	Year Ended December 31,	
	2013	2012
	(In thousands)	
Automobile liability	$24,259	$17,319
Automobile physical damage	8,365	7,556
General liability	3,521	3,442
Property	2,699	2,033
Surety	7,007	7,121
Total	$45,851	$37,471

Net earned premiums increased $8.4 million, or 22.4%, during 2013 as compared to 2012. The increase in net earned premiums during 2013 was primarily attributable to the increase in commercial automobile earned premiums from the new state contract referenced previously. Also contributing were increases in general liability and property earned premiums resulting from new programs. In 2013, American Southern's five principal states in terms of premium revenue were Alabama, Florida, Georgia, South Carolina, and Texas, which accounted for approximately 67% of total earned premiums for 2013.

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).

Net losses and loss adjustment expenses at American Southern increased $2.9 million, or 10.5%, during 2013 as compared to 2012. As a percentage of premiums, net losses and loss adjustment expenses were 65.9% in 2013 compared to 73.0% in 2012. The decrease in the loss ratio during 2013 was due to more favorable loss experience in significantly all lines of business. During 2012, American Southern experienced increases in the frequency and severity of claims in the commercial automobile line of business and higher claims in the general liability line of business which did not recur in 2013. The improvement in the loss ratio was primarily attributable to actions taken in prior periods to better rationalize American Southern's book of business and to strengthen the underwriting guidelines with respect to new and renewal business.

Underwriting expenses increased $3.9 million, or 31.5%, during 2013 as compared to 2012. As a percentage of premiums, underwriting expenses were 35.1% in 2013 compared to 32.7% in 2012. The increase in the expense ratio was primarily due to American Southern's variable commission structure, which compensates the company's 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. In 2013, these commission accruals at American Southern increased $3.6 million as compared to 2012 due to the more favorable loss experience. Partially offsetting the increase in the expense ratio was the significant increase in earned premium from the new state contract referenced previously coupled with a relatively consistent level of fixed general and administrative expenses.

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In establishing reserves, American Southern initially reserves for losses at the higher end of the reasonable range if no other value within the range is determined to be more probable. Selection of such an initial loss estimate is an attempt by management to give recognition that initial claims information received generally is not conclusive with respect to legal liability, is generally not comprehensive with respect to magnitude of loss and generally, based on historical experience, will develop more adversely as time and information develops. However, as a result, American Southern generally experiences reserve redundancies when analyzing the development of prior year losses in a current period. At December 31, 2013, the range of estimates developed in connection with the loss reserves for American Southern indicated that reserves could be as much as 13.1% lower or as much as 10.4% higher. Development from prior years' reserves has historically reduced the current year loss ratio; however, such reduction in the current year loss ratio is generally offset by the reserves established in the current year for current period losses. American Southern's estimated net reserve redundancies for the years ended December 31, 2013 and 2012 were $2.5 million and $1.7 million, respectively. To the extent reserve redundancies vary between years, there is an incremental impact on the results of operations of American Southern and the Company. The indicated redundancy in 2013 was $0.8 million more than that in 2012. After considering the impact on contingent commissions and other related accruals, the $0.8 million increase in the redundancy resulted in an increase in income from operations before tax of approximately $0.5 million in 2013 as compared to 2012. Management believes that such differences will continue in future periods but is unable to determine if or when incremental redundancies will increase or decrease, until the underlying losses are ultimately settled.

Contingent commissions, if contractually applicable, are ultimately payable to agents based on the underlying profitability of a particular insurance contract or a group of insurance contracts, and are periodically evaluated and accrued as earned. Approximately 83% of American Southern's business provides for contractual commission arrangements which compensate the company's agents in relation to the loss ratios of the business they write. By structuring its business in this manner, American Southern provides its agents with an economic incentive to place profitable business with American Southern. In periods in which loss reserves reflect favorable development from prior years' reserves, there is generally a highly correlated increase in commission expense also related to the prior year business. Accordingly, favorable loss development from prior years, while anticipated to continue in future periods, is not an indicator of significant additional profitability in the current year.

Bankers Fidelity

The following summarizes, for the periods indicated, Bankers Fidelity's premiums, losses and expenses:

	Year Ended December 31,	
	2013	2012
	(Dollars in thousands)	
Medicare supplement	$83,979	$72,920
Other health products	4,661	4,490
Life insurance	11,139	11,862
Total earned premiums	99,779	89,272
Insurance benefits and losses	70,175	62,480
Underwriting expenses	30,632	25,775
Total expenses	100,807	88,255
Underwriting income (loss)	$(1,028)	$1,017
Loss ratio	70.3%	70.0%
Expense ratio	30.7	28.9
Combined ratio	101.0%	98.9%

Premium revenue at Bankers Fidelity increased $10.5 million, or 11.8%, during 2013 as compared to 2012. Premiums from the Medicare supplement line of business increased $11.1 million, or 15.2%, in 2013 as compared to 2012, due primarily to an increase in business generated from the company's existing agents and newly appointed agents as well as continued active management and implementation of rate increases on renewal business, as appropriate. Other health product premiums increased $0.2 million, or 3.8%, during 2013 as compared to 2012, primarily as a result of new sales of the company's short-term care products. Premiums from the life insurance line of business decreased $0.7 million, or 6.1%, in 2013 from 2012 due to the redemption and settlement of existing policy obligations exceeding the level of new sales activity. In 2013, the company's five principal states in terms of premium revenue were Georgia, Missouri, Indiana, Ohio, and Pennsylvania, which accounted for approximately 46% of total premiums for 2013.

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Benefits and losses increased $7.7 million, or 12.3%, during 2013 as compared to 2012. As a percentage of premiums, benefits and losses were 70.3% in 2013 compared to 70.0% in 2012. The slight increase in the loss ratio was primarily attributable to higher claims associated with the continued aging of the existing life business. Partially offsetting the increase in the loss ratio was more favorable loss experience in the Medicare supplement line of business in 2013 as compared to 2012. The company continues to implement rate increases on its Medicare supplement line of business which have helped mitigate the impact of higher medical costs.

Underwriting expenses increased $4.9 million, or 18.8%, during 2013 as compared to 2012. As a percentage of earned premiums, these expenses were 30.7% in 2013 compared to 28.9% in 2012. The increase in the expense ratio was primarily attributable to increases in advertising and agency related expenses as well as development of worksite products to broaden overall product offering. Advertising expenses in 2013 increased $0.7 million as compared to 2012 and included charges for television commercials and social media initiatives. Expenses related to the development of worksite products increased $0.7 million in 2013 as compared to 2012.

Investment Income and Realized Gains

Investment income decreased $0.7 million, or 6.0%, in 2013 as compared to 2012. The decrease in investment income was primarily attributable to the sale during 2013 of a number of the Company's investments in longer-term fixed maturities due to a shortening up on maturities to give recognition to the rise and potential future increases in longer-term interest rates. At December 31, 2013, the carrying value of the Company's fixed maturities with a maturity in excess of ten years was $76.9 million as compared to $181.6 million at December 31, 2012. The Company was not able to reinvest the proceeds from sales of fixed maturities at equivalent interest rates, resulting in a decrease in yield on invested assets.

The Company had net realized investment gains of $8.7 million in 2013 compared to net realized investment gains of $1.4 million in 2012. The net realized investment gains in 2013 were primarily due to the sale of a number of the Company's investments in longer-term fixed maturities discussed previously. The net realized investment gains in 2012 also resulted from the disposition of several of the Company's investments in fixed maturities, although in lesser amounts. Management continually evaluates the Company's investment portfolio and, as may be determined to be appropriate, makes adjustments for impairments and/or will divest investments. See Note 2 of Notes to Consolidated Financial Statements.

Interest Expense

Interest expense decreased $0.7 million, or 27.9%, in 2013 as compared to 2012. The decrease in interest expense was primarily due to the termination of the Company's zero cost interest rate collar with Wells Fargo Bank, National Association ("Wells Fargo") on March 4, 2013, the stated maturity date, by its terms. The interest rate collar had a London Interbank Offered Rate ("LIBOR") floor of 4.77%. As a result of interest rates remaining below the LIBOR floor, the Company was required to make payments to Wells Fargo under the interest rate collar through the maturity date.

Other Expenses

Other expenses (commissions, underwriting expenses, and other expenses) increased $9.6 million, or 22.7%, in 2013 as compared to 2012. The increase in other expenses during 2013 was primarily attributable to increased commission and underwriting costs in the life and health operations associated with the higher volume of business, expenses related to development of worksite products as well as increases in advertising and agency related expenses. Also contributing to the increase in other expenses in 2013 was the $3.6 million increase in commission accruals at American Southern due to the more favorable loss experience. The majority of American Southern's business is structured in a way that agents are compensated based upon the loss ratios of the business they place with the

company. 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. As a percentage of earned premiums, other expenses were 35.6% in 2013 as compared with 33.4% in 2012. The increase in the expense ratio was primarily attributable to the increase in commission accruals, advertising expenses and worksite product development expenses discussed previously.

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Income Taxes

The primary differences between the effective tax rate and the federal statutory income tax rate resulted from the dividends-received deduction ("DRD"), the small life insurance company deduction ("SLD") and the change in deferred tax asset valuation allowance. The current estimated DRD is adjusted as underlying factors change and can vary from estimates based on, but not limited to, actual distributions from investments as well as the amount of the Company's taxable income. The SLD varies in amount and is determined at a rate of 60 percent of the tentative life insurance company taxable income ("LICTI"). The SLD for any taxable year is reduced (but not below zero) by 15 percent of the tentative LICTI for such taxable year as it exceeds $3.0 million and is ultimately phased out at $15.0 million. The change in deferred tax asset valuation allowance was due to the unanticipated utilization of certain capital loss carryforward benefits that had been previously reduced to zero through an existing valuation allowance reserve.

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 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 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 December 31, 2013, the Parent had approximately $32.0 million of unrestricted cash and investments.

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 December 31, 2013, the Parent's insurance subsidiaries had an aggregate statutory surplus of $73.6 million. Dividends were paid to Atlantic American by its subsidiaries totaling $6.6 million and $7.4 million in 2013 and 2012, respectively.

The Parent provides certain administrative, purchasing and other services to each of its subsidiaries. The amounts charged to and paid by the subsidiaries for these services were $6.3 million and $5.6 million in 2013 and 2012, respectively. In addition, the Parent has a formal tax-sharing agreement with each of its insurance subsidiaries. A net total of $2.6 million and $2.1 million were paid to the Parent under the tax sharing agreements in 2013 and 2012, respectively. As a result of the Parent's tax loss carryforwards, which totaled approximately $2.4 million at December 31, 2013, it is anticipated that the tax sharing agreements will continue to provide the Parent with additional funds 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 deferrable interest debentures ("Junior Subordinated Debentures"). The outstanding $18.0 million and $23.2 million of Junior Subordinated Debentures mature on December 4, 2032 and May 15, 2033, respectively, are callable quarterly, in whole or in part, only at the option of the Company, and have an interest rate of three-month LIBOR plus an applicable margin. The margin ranges from 4.00% to 4.10%. At December 31, 2013, the effective interest rate was 4.30%. 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. The Company has not made such an election.

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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 potential future financing arrangements.

The Company had a zero cost interest rate collar with Wells Fargo, which terminated on March 4, 2013, the stated maturity date, by its terms.

At December 31, 2013, the Company had 65,000 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 1,629,000 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. In 2013, the Company redeemed 5,000 shares of the Series D Preferred Stock at the stated value of $100 per share, for an aggregate payment of $0.5 million. As of December 31, 2013 and 2012, the Company had accrued, but unpaid, dividends, on the Series D Preferred Stock of $20,945 and $22,556, respectively. During 2013, the Company paid $0.5 million in Series D Preferred Stock dividends whereas in 2012, the Company paid $1.0 million which included a $0.5 million dividend attributable to 2011.

Cash and cash equivalents increased from $19.0 million at December 31, 2012 to $33.1 million at December 31, 2013. The increase in cash and cash equivalents during 2013 was primarily attributable to net cash provided by operating activities of $13.0 million. Also contributing to the increase in cash and cash equivalents was net cash provided by investing activities of $3.8 million resulting from the sale and maturity of securities exceeding investment purchases. Partially offsetting the increases were the acquisition of Bankers Fidelity Assurance Company for $2.5 million, the redemption of 5,000 shares of Series D Preferred Stock for $0.5 million, dividends paid on the Company common stock and Series D Preferred Stock of $0.4 million and $0.5 million, respectively, and the purchase of shares for treasury for $1.4 million.

The Company believes that existing cash balances as well as the dividends, fees, and tax-sharing payments it receives from its subsidiaries and, if needed, 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.

New Accounting Pronouncements

See "Recently Issued Accounting Standards" in Note 1 of Notes to Consolidated Financial Statements.

Impact of Inflation

Insurance premiums are established before the amount of losses and loss adjustment expenses, or the extent to which inflation may affect such losses and expenses, are known. Consequently, the Company attempts, in establishing its premiums, to anticipate the potential impact of inflation. If, for competitive reasons, premiums cannot be increased to anticipate inflation, this cost would be absorbed by the Company. Inflation also affects the rate of investment return on the Company's investment portfolio with a corresponding effect on investment income.

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Off-Balance Sheet Arrangements

In the normal course of business, the Company has structured borrowings that, in accordance with accounting principles generally accepted in the United States of America, are recorded on the Company's balance sheet at an amount that differs from the ultimate contractual obligation. See Note 6 of Notes to Consolidated Financial Statements.

Contractual Obligations

As a smaller reporting company, we have elected to comply with certain scaled disclosure reporting obligations, and therefore do not have to provide the table of contractual obligations required by this Item.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we have elected to comply with certain scaled disclosure reporting obligations, and therefore do not have to provide the information required by this Item.

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Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Atlantic American Corporation
Atlanta, Georgia

We have audited the accompanying consolidated balance sheets of Atlantic American Corporation and subsidiaries (the "Company") as of December 31, 2013 and 2012 and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the years then ended. In connection with our audits of the financial statements, we have also audited Schedules II, III, IV and VI. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedules. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Atlantic American Corporation and subsidiaries at December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

BDO USA, LLP

Atlanta, Georgia
March 26, 2014

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ATLANTIC AMERICAN CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2013	2012
	(Dollars in thousands, except per share data)	
ASSETS		
Cash and cash equivalents	$33,102	$18,951
Investments	228,961	246,892
Receivables:		
Reinsurance	14,314	18,768
Insurance premiums and other, net of allowance for doubtful accounts of $339 and $379 in 2013 and 2012, respectively	9,343	6,330
Deferred income taxes, net	363	-
Deferred acquisition costs	27,509	26,133
Other assets	3,245	975
Intangibles	2,544	2,128
Total assets	$319,381	$320,177
LIABILITIES AND SHAREHOLDERS' EQUITY		
Insurance reserves and policyholder funds	$162,373	$154,558
Accounts payable and accrued expenses	14,843	11,481
Deferred income taxes, net	-	7,164
Debt payable	41,238	41,238
Total liabilities	218,454	214,441
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Preferred stock, $1 par, 4,000,000 shares authorized;		
Series D preferred, 65,000 and 70,000 shares issued and outstanding in 2013 and 2012, respectively; $6,500 and $7,000 redemption value in 2013 and 2012, respectively	65	70
Common stock, $1 par, 50,000,000 shares authorized;		
22,400,894 shares issued; 21,117,874 and 21,216,542 shares outstanding in 2013 and 2012, respectively	22,401	22,401
Additional paid-in capital	57,103	57,180
Retained earnings	18,738	8,621
Accumulated other comprehensive income	6,204	19,571
Unearned stock grant compensation	(485)	-
Treasury stock, at cost, 1,283,020 shares in 2013 and 1,184,352 shares in 2012	(3,099)	(2,107)
Total shareholders' equity	100,927	105,736
Total liabilities and shareholders' equity	$319,381	$320,177

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

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ATLANTIC AMERICAN CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2013	2012
	(Dollars in thousands, except per share data)	
Revenue:		
Insurance premiums	$145,630	$126,743
Investment income	10,809	11,504
Realized investment gains, net	8,741	1,434
Other income	189	147
Total revenue	165,369	139,828
Benefits and expenses:		
Insurance benefits and losses incurred	100,372	89,817
Commissions and underwriting expenses	40,556	32,477
Interest expense	1,898	2,632
Other expense	11,337	9,820
Total benefits and expenses	154,163	134,746
Income before income taxes	11,206	5,082
Income tax expense	184	646
Net income	11,022	4,436
Preferred stock dividends	(482)	(508)
Net income applicable to common shareholders	$10,540	$3,928
Basic earnings per common share	$.50	$.19
Diluted earnings per common share	$.48	$.18

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

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ATLANTIC AMERICAN CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,	
	2013	2012
	(Dollars in thousands)	
Net income	$11,022	$4,436
Other comprehensive income (loss):		
Available-for-sale securities:		
Gross unrealized holding gain (loss) arising in the period	(11,965)	11,971
Related income tax effect	4,188	(4,190)
Less: reclassification adjustment for net realized gains included in net income [1]	(8,741)	(1,434)
Related income tax effect [2]	3,059	502
Net effect on other comprehensive income (loss)	(13,459)	6,849
Derivative financial instrument:		
Fair value adjustment to derivative financial instrument	141	735
Related income tax effect	(49)	(257)
Net effect on other comprehensive income (loss)	92	478
Total other comprehensive income (loss), net of tax	(13,367)	7,327
Total comprehensive income (loss)	$(2,345)	$11,763

(1) Realized gains on available-for-sale securities recognized in realized investment gains, net on the accompanying consolidated statements of operations.

(2) Income tax effect on reclassification adjustment for net realized gains included in income tax expense on the accompanying consolidated statements of operations.

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

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ATLANTIC AMERICAN CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Unearned Stock Grant Compensation	Treasury Stock	Total
	(Dollars in thousands)							
Balance, December 31, 2011	$70	$22,401	$57,136	$6,179	$12,244	$ -	$(1,753)	$96,277
Net income	-	-	-	4,436	-	-	-	4,436
Other comprehensive income, net of tax	-	-	-	-	7,327	-	-	7,327
Dividends on common stock	-	-	-	(1,486)	-	-	-	(1,486)
Dividends on preferred stock	-	-	-	(508)	-	-	-	(508)
Purchase of 219,939 shares for treasury	-	-	-	-	-	-	(607)	(607)
Issuance of 162,240 shares under stock plans	-	-	44	-	-	-	253	297
Balance, December 31, 2012	70	22,401	57,180	8,621	19,571	-	(2,107)	105,736
Net income	-	-	-	11,022	-	-	-	11,022
Other comprehensive loss, net of tax	-	-	-	-	(13,367)	-	-	(13,367)
Preferred stock redeemed (Note 10)	(5)	-	(495)	-	-	-	-	(500)
Dividends on common stock	-	-	-	(423)	-	-	-	(423)
Dividends on preferred stock	-	-	-	(482)	-	-	-	(482)
Restricted stock grants	-	-	393	-	-	(704)	311	-
Amortization of unearned compensation	-	-	-	-	-	219	-	219
Purchase of 371,220 shares for treasury	-	-	-	-	-	-	(1,416)	(1,416)
Issuance of 72,552 shares under stock plans	-	-	25	-	-	-	113	138
Balance, December 31, 2013	$65	$22,401	$57,103	$18,738	$6,204	$ (485)	$(3,099)	$100,927

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

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ATLANTIC AMERICAN CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2013	2012
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	$11,022	$4,436
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred acquisition costs	8,960	10,451
Acquisition costs deferred	(10,336)	(12,325)
Realized investment gains, net	(8,741)	(1,434)
Increase in insurance reserves and policyholder funds	7,815	7,364
Compensation expense related to share awards	219	-
Depreciation and amortization	600	469
Deferred income tax benefit	(329)	(97)
Decrease (increase) in receivables, net	1,448	(1,140)
Increase (decrease) in other liabilities	2,292	(1,376)
Other, net	70	(233)
Net cash provided by operating activities	13,020	6,115
Cash flows from investing activities:		
Proceeds from investments sold	108,745	24,479
Proceeds from investments matured, called or redeemed	11,414	14,455
Investments purchased	(112,466)	(44,403)
Additions to property and equipment	(1,338)	(169)
Acquisition of Bankers Fidelity Assurance, net of $1,317 acquired	(2,540)	-
Net cash provided by (used in) investing activities	3,815	(5,638)
Cash flows from financing activities:		
Redemption of Series D preferred stock	(500)	-
Payment of dividends on Series D preferred stock	(483)	(1,015)
Payment of dividends on common stock	(423)	(1,486)
Proceeds from shares issued under stock plans	138	297
Purchase of shares for treasury	(1,416)	(607)
Net cash used in financing activities	(2,684)	(2,811)
Net increase (decrease) in cash	14,151	(2,334)
Cash and cash equivalents at beginning of year	18,951	21,285
Cash and cash equivalents at end of year	$33,102	$18,951
Supplemental cash flow information:		
Cash paid for interest	$1,961	$2,636
Cash paid for income taxes	$536	$405

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

Note 1. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") which, for insurance companies, differ in some respects from the statutory accounting practices prescribed or permitted by regulatory authorities. These financial statements include the accounts of Atlantic American Corporation ("Atlantic American" or the "Parent") and its subsidiaries (collectively with the Parent, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation. Operating results achieved in any historical period are not necessarily indicative of results to be expected in any future period.

At December 31, 2013, the Parent owned four insurance subsidiaries, Bankers Fidelity Life Insurance Company and its wholly-owned subsidiary, Bankers Fidelity Assurance Company ("BFAC") (together known as "Bankers Fidelity"), and American Southern Insurance Company and its wholly-owned subsidiary, American Safety Insurance Company (together known as "American Southern"), in addition to one non-insurance subsidiary, xCalibre Risk Services, Inc. BFAC was acquired on December 18, 2013. The results of operations of BFAC are included from the date of acquisition. The Parent has issued a guarantee of all liabilities of Bankers Fidelity.

Premium Revenue and Cost Recognition

Life insurance premiums are recognized as revenue when due; accident and health insurance premiums are recognized as revenue over the premium paying period and property and casualty insurance premiums are recognized as revenue over the period of the contract in proportion to the amount of insurance protection provided. Benefits and expenses are accrued as incurred and are associated with premiums as they are earned so as to result in recognition of profits over the lives of the contracts. For traditional life insurance and long-duration health insurance, this association is accomplished by the provision of a future policy benefits reserve and the deferral and subsequent amortization of the costs of acquiring business, "deferred policy acquisition costs" (principally commissions, premium taxes, and other incremental direct costs of issuing policies). Deferred policy acquisition costs are amortized over the estimated premium-paying period of the related policies using assumptions consistent with those used in computing the policy benefits reserve. The Company provides for insurance benefits and losses on accident, health, and property-casualty claims based upon estimates of projected ultimate losses. The deferred policy acquisition costs for property and casualty insurance and short-duration health insurance are amortized over the effective period of the related insurance policies. Contingent commissions, if contractually applicable, are ultimately payable to agents based on the underlying profitability of a particular insurance contract or a group of insurance contracts, and are periodically evaluated and accrued as earned. In periods in which revisions are made to the estimated loss reserves related to the particular insurance contract or group of insurance contracts subject to such commissions, corresponding adjustments are also made to the related accruals. Deferred policy acquisition costs are expensed when such costs are deemed not to be recoverable from future premiums (for traditional life and long-duration health insurance) and from the related unearned premiums and investment income (for property and casualty and short-duration health insurance).

Intangibles

Intangibles consist of goodwill and other indefinite-lived intangibles. Goodwill represents the excess of cost over the fair value of net assets acquired and is not amortized. Other indefinite-lived intangibles represent the value of licenses acquired in the 2013 acquisition of BFAC (Note 17) and are not amortized. As of December 31, 2013 and 2012, intangibles were $2,544 and $2,128, respectively. The Company periodically reviews its goodwill and other

indefinite-lived intangibles to determine if any adverse conditions exist that could indicate impairment. Conditions that could trigger impairment include, but are not limited to, a significant change in business climate that could affect the value of the related asset, an adverse action, or an assessment by a regulator. No impairment of the Company's recorded intangibles was identified during the periods presented.

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Investments

The Company's investments in both fixed maturities, which include bonds and redeemable preferred stocks, and equity securities, which include common and non-redeemable preferred stocks, are classified as "available-for-sale" and, accordingly, are carried at fair value with the after-tax difference from amortized cost, as adjusted if applicable, reflected in shareholders' equity as a component of accumulated other comprehensive income or loss. The fair values for fixed maturities and equity securities are largely determined by either independent methods prescribed by the National Association of Insurance Commissioners ("NAIC"), which do not differ materially from publicly quoted market prices, when available, or independent broker quotations. The Company owns certain fixed maturities that do not have publicly quoted market values, but had an estimated fair value as determined by management of $1,991 at December 31, 2013. Such values inherently involve a greater degree of judgment and uncertainty and therefore ultimately greater price volatility than the value of securities with publicly quoted market values. Policy loans and real estate are carried at historical cost. Other invested assets are comprised of investments in limited partnerships, limited liability companies, and real estate joint ventures, and are accounted for using the equity method. If the value of a common stock, preferred stock, other invested asset, or publicly traded bond declines below its cost or amortized cost, if applicable, and the decline is considered to be other than temporary, a realized loss is recorded to reduce the carrying value of the investment to its estimated fair value, which becomes the new cost basis. The evaluation for an other than temporary impairment is a quantitative and qualitative process, which is subject to risks and uncertainties in the determination of whether declines in the fair value of investments are other than temporary. Potential risks and uncertainties include, among other things, changes in general economic conditions, an issuer's financial condition or near term recovery prospects and the effects of changes in interest rates. In evaluating a potential impairment, the Company considers, among other factors, management's intent and ability to hold these securities until price recovery, the nature of the investment and the expectation of prospects for the issuer and its industry, the status of an issuer's continued satisfaction of its obligations in accordance with their contractual terms, and management's expectation as to the issuer's ability and intent to continue to do so, as well as ratings actions that may affect the issuer's credit status. Premiums and discounts related to investments are amortized or accreted over the life of the related investment as an adjustment to yield using the effective interest method. Dividends and interest income are recognized when earned or declared. The cost of securities sold is based on specific identification. Unrealized gains (losses) in the value of invested assets are accounted for as a direct increase (decrease) in accumulated other comprehensive income in shareholders' equity, net of deferred tax and, accordingly, have no effect on net income.

Income Taxes

Deferred income taxes represent the expected future tax consequences when the reported amounts of assets and liabilities are recovered or paid. They arise from differences between the financial reporting and tax basis of assets and liabilities and are adjusted for changes in tax laws and tax rates as those changes are enacted. The provision for income taxes represents the total amount of income taxes due related to the current year, plus the change in deferred income taxes during the year. A valuation allowance is recognized if, based on management's assessment of the relevant facts, it is more likely than not that some portion of the deferred tax asset will not be realized.

Earnings Per Common Share

Basic earnings per common share are based on the weighted average number of common shares outstanding during the relevant period. Diluted earnings per common share are based on the weighted average number of common shares outstanding during the relevant period, plus options and share awards outstanding using the treasury stock method and the assumed conversion of the Series D preferred stock, if dilutive. Unless otherwise indicated, earnings per common share amounts are presented on a diluted basis.

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Cash and Cash Equivalents

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

Recently Issued Accounting Standards

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("ASU 2013-02"). The main objective of ASU 2013-02 is to enhance disclosures for reclassification adjustments including changes in accumulated other comprehensive income ("AOCI") balances by component and significant items reclassified out of AOCI. ASU 2013-02 does not change the requirements for reporting net income or other comprehensive income in financial statements. However, the ASU requires an entity to provide enhanced disclosures to present separately by component reclassifications out of AOCI. In addition, an entity is also required to provide a tabular disclosure of the effect of items reclassified out of AOCI on the respective line items of net income, but only if the item reclassified is required under GAAP to be reclassified to net income in its entirety. For other reclassification items that are not required under GAAP to be reclassified directly to net income in their entirety, ASU 2013-02 only requires a cross-reference to other disclosures required under GAAP for those items. The Company adopted ASU 2013-02 effective January 1, 2013. Since ASU 2013-02 was a disclosure only update, its adoption did not have a material impact on the Company's financial condition or results of operations. See Consolidated Statements of Comprehensive Income and Note 16 for expanded disclosures.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Significant estimates and assumptions are used in developing and evaluating deferred income taxes, deferred acquisition costs, insurance reserves, investments, and commitments and contingencies, among others, and actual results could differ materially from management's estimates.

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Note 2. Investments

The following tables set forth the carrying value, gross unrealized gains, gross unrealized losses and amortized cost of the Company's investments, aggregated by type and industry, as of December 31, 2013 and December 31, 2012.

Investments were comprised of the following:

	2013			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
Fixed maturities:				
Bonds:				
U.S. Treasury securities and obligations of U.S. Government agencies and authorities	$17,240	$ 576	$ 210	$16,874
Obligations of states and political subdivisions	7,611	402	17	7,226
Corporate securities:				
Utilities and telecom	16,532	1,353	7	15,186
Financial services	50,531	1,736	320	49,115
Other business – diversified	70,326	870	2,906	72,362
Other consumer – diversified	36,712	391	1,745	38,066
Total corporate securities	174,101	4,350	4,978	174,729
Redeemable preferred stocks:				
Financial services	2,159	4	41	2,196
Other consumer – diversified	192	-	-	192
Total redeemable preferred stocks	2,351	4	41	2,388
Total fixed maturities	201,303	5,332	5,246	201,217
Equity securities:				
Common and non-redeemable preferred stocks:				
Utilities and telecom	1,474	510	-	964
Financial services	5,761	514	560	5,807
Other business – diversified	178	131	-	47
Other consumer – diversified	14,477	8,863	-	5,614
Total equity securities	21,890	10,018	560	12,432
Other invested assets	2,123	-	-	2,123
Policy loans	2,369	-	-	2,369
Real estate	38	-	-	38
Investments in unconsolidated trusts	1,238	-	-	1,238
Total investments	$228,961	$ 15,350	$ 5,806	$219,417

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	2012			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
Fixed maturities:				
Bonds:				
U.S. Treasury securities and obligations of U.S. Government agencies and authorities	$27,512	$ 4,618	$ -	$ 22,894
Obligations of states and political subdivisions	17,761	2,514	-	15,247
Corporate securities:				
Utilities and telecom	17,921	3,128	-	14,793
Financial services	43,695	3,957	415	40,153
Other business – diversified	66,741	7,172	12	59,581
Other consumer – diversified	52,910	7,665	120	45,365
Total corporate securities	181,267	21,922	547	159,892
Redeemable preferred stocks:				
Financial services	3,775	18	3	3,760
Other consumer – diversified	193	-	-	193
Total redeemable preferred stocks	3,968	18	3	3,953
Total fixed maturities	230,508	29,072	550	201,986
Equity securities:				
Common and non-redeemable preferred stocks:				
Utilities and telecom	1,298	334	-	964
Financial services	8,607	857	39	7,789
Other business – diversified	134	87	-	47
Other consumer – diversified	2,166	489	-	1,677
Total equity securities	12,205	1,767	39	10,477
Other invested assets	565	-	-	565
Policy loans	2,338	-	-	2,338
Real estate	38	-	-	38
Investments in unconsolidated trusts	1,238	-	-	1,238
Total investments	$246,892	$ 30,839	$ 589	$ 216,642

Bonds having an amortized cost of $10,101 and $7,170 and included in the tables above were on deposit with insurance regulatory authorities at December 31, 2013 and 2012, respectively, in accordance with statutory requirements.

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The following table sets forth the carrying value, amortized cost, and net unrealized gains (losses) of the Company's investments aggregated by industry as of December 31, 2013 and 2012.

	2013			2012		
	Carrying Value	Amortized Cost	Unrealized Gains (Losses)	Carrying Value	Amortized Cost	Unrealized Gains
U.S. Treasury securities and obligations of U.S. Government agencies and authorities	$17,240	$16,874	$ 366	$27,512	$22,894	$ 4,618
Obligations of states and political subdivisions	7,611	7,226	385	17,761	15,247	2,514
Utilities and telecom	18,006	16,150	1,856	19,219	15,757	3,462
Financial services	58,451	57,118	1,333	56,077	51,702	4,375
Other business – diversified	70,504	72,409	(1,905)	66,875	59,628	7,247
Other consumer – diversified	51,381	43,872	7,509	55,269	47,235	8,034
Other investments	5,768	5,768	-	4,179	4,179	-
Investments	$228,961	$219,417	$ 9,544	$246,892	$216,642	$ 30,250

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 December 31, 2013 and 2012.

	2013					
	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	$8,326	$ 210	$-	$ -	$8,326	$ 210
Obligations of states and political subdivisions	1,018	17			1,018	17
Corporate securities	92,049	3,714	6,938	1,264	98,987	4,978
Redeemable preferred stocks	704	41	-	-	704	41
Common and non-redeemable preferred stocks	3,724	560	-	-	3,724	560
Total temporarily impaired securities	$105,821	$ 4,542	$6,938	$ 1,264	$112,759	$ 5,806

	2012					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate securities	$8,806	$ 147	$1,600	$ 400	$10,406	$ 547
Redeemable preferred stocks	1,216	3	-	-	1,216	3
Common and non-redeemable preferred stocks	3,494	39	-	-	3,494	39
Total temporarily impaired securities	$13,516	$ 189	$1,600	$ 400	$15,116	$ 589

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

As of December 31, 2013, securities in an unrealized loss position primarily included certain of the Company's investments in fixed maturities within the other diversified business, other diversified consumer and financial services sectors. The Company does not currently intend to sell nor does it expect to be required to sell any of the securities in an unrealized loss position. Based upon the Company's expected continuation of receipt of contractually required principal and interest payments and its intent and ability to retain the securities until price recovery, as well as the Company's evaluation of other relevant factors, including those described above, the Company has deemed these securities to be temporarily impaired as of December 31, 2013.

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

Level 1	Observable inputs that reflect quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date. The Company's financial instruments valued using Level 1 criteria include cash equivalents and exchange traded common stocks.
Level 2	Observable inputs, other than quoted prices included in Level 1, for an asset or liability or prices for similar assets or liabilities. The Company's financial instruments valued using Level 2 criteria include significantly all of its fixed maturities, which consist of U.S. Treasury securities and 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 using Level 2 criteria, the Company utilizes various external pricing sources.
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. The Company's financial instruments valued using Level 3 criteria consist of a limited number of fixed maturities. As of December 31, 2013 and 2012, the value of the Company's fixed maturities valued using Level 3 criteria was $1,991 and $2,124, respectively. The use of different criteria or assumptions regarding data may have yielded materially different valuations.

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As of December 31, 2013, financial instruments carried at fair value were measured on a recurring basis as summarized below:

Assets:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed maturities	$ -	$ 199,312	$ 1,991	$ 201,303
Equity securities	16,406	5,484	-	21,890
Cash equivalents	31,618	-	-	31,618
Total	$ 48,024	$ 204,796	$ 1,991	$ 254,811

As of December 31, 2012, financial instruments carried at fair value were measured on a recurring basis as summarized below:

Assets:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed maturities	$ -	$ 228,384	$ 2,124	$ 230,508
Equity securities	3,805	8,400	-	12,205
Cash equivalents	15,326	-	-	15,326
Total	$ 19,131	$ 236,784	$ 2,124	$ 258,039
Liabilities:				
Derivative financial instrument (Note 7)	$ -	$ -	$ 141	$ 141

The following is a roll-forward of the Company's financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) from January 1, 2012 to December 31, 2013.

	Fixed Maturities	Derivative (Liability)
Balance, January 1, 2012	$ 2,035	$ (876)
Total unrealized gains included in comprehensive income	89	735
Balance, December 31, 2012	2,124	(141)
Total unrealized gains (losses) included in comprehensive income	(133)	141
Balance, December 31, 2013	$ 1,991	$ -

The Company's fixed maturities valued using Level 3 inputs consist solely of issuances of pooled debt obligations of multiple, smaller financial services companies. They are not actively traded and valuation techniques used to measure fair value are based on future estimated cash flows (based on current cash flows) discounted at reasonable estimated rates of interest. There are no assumed prepayments and/or default probability assumptions as a majority of these instruments contain certain U.S. government agency strips to support repayment of the principal. Other qualitative

and quantitative information received from the original underwriter of the pooled offerings is also considered, as applicable. The Company's derivative financial instrument was an interest rate collar which terminated on March 4, 2013, the stated maturity date, by its terms.

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The amortized cost and carrying value of fixed maturities at December 31, 2013 and 2012 by contractual maturity were as follows. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2013 Carrying Value	2013 Amortized Cost	2012 Carrying Value	2012 Amortized Cost
Due in one year or less	$-	$-	$1,510	$1,500
Due after one year through five years	11,709	11,097	5,799	5,213
Due after five years through ten years	108,358	107,846	40,416	37,013
Due after ten years	76,882	77,884	181,608	157,266
Varying maturities	4,354	4,390	1,175	994
Totals	$201,303	$201,217	$230,508	$201,986

Investment income was earned from the following sources:

	2013	2012
Fixed maturities	$9,890	$10,626
Equity securities	632	571
Other	287	307
Total investment income	10,809	11,504
Less investment expenses, included in other expenses	(474)	(194)
Net investment income	$10,335	$11,310

A summary of realized investment gains (losses) follows:

2013	Fixed Maturities	Equity Securities	Total
Gains	$8,521	$ 293	$8,814
Losses	(45)	(28)	(73)
Realized investment gains, net	$8,476	$ 265	$8,741

2012	Fixed Maturities	Equity Securities	Total
Gains	$1,434	$ -	$1,434
Losses	-	-	-
Realized investment gains, net	$1,434	$ -	$1,434

Proceeds from the sales of investments were as follows:

	2013	2012
Fixed maturities	$107,728	$24,433
Equity securities	972	-
Other investments	45	46
Total proceeds	$108,745	$24,479

The Company’s bond portfolio included 90% investment grade securities, as defined by the NAIC, at December 31, 2013.

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Note 3. Insurance Reserves and Policyholder Funds

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

			Amount of Insurance In Force, Net	
	2013	2012	2013	2012
Future policy benefits				
Life insurance policies:				
Ordinary	$52,915	$51,256	$237,694	$244,634
Mass market	2,715	3,037	3,504	4,001
Individual annuities	135	142	-	-
	55,765	54,435	$241,198	$248,635
Accident and health insurance policies	14,099	12,497		
	69,864	66,932		
Unearned premiums	27,415	22,637		
Losses, claims and loss adjustment expenses	63,018	62,873		
Other policy liabilities	2,076	2,116		
Total insurance reserves and policyholder funds	$162,373	$154,558		

Annualized premiums for accident and health insurance policies were $91,359 and $83,038 at December 31, 2013 and 2012, respectively.

Future Policy Benefits

Liabilities for life insurance future policy benefits are based upon assumed future investment yields, mortality rates, and withdrawal rates after giving effect to possible risks of unexpected claim experience. The assumed mortality and withdrawal rates are based upon the Company's experience. The interest rates assumed for life, accident and health future policy benefits are generally: (i) 2.5% to 5.5% for issues prior to 1977, (ii) 7% graded to 5.5% for 1977 through 1979 issues, (iii) 9% for 1980 through 1987 issues, (iv) 5% to 7% for 1988 through 2009 issues, and (v) 4% for 2010 through 2013 issues.

Loss and Claim Reserves

Loss and claim reserves represent estimates of projected ultimate losses and are based upon: (a) management's estimate of ultimate liability and claims adjusters' evaluations for unpaid claims reported prior to the close of the accounting period, (b) estimates of incurred but not reported ("IBNR") claims based on past experience, and (c) estimates of loss adjustment expenses. The estimated liability is periodically reviewed by management and updated, with changes to the estimated liability recorded in the statement of operations in the year in which such changes are known.

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Activity in the liability for unpaid loss and claim reserves is summarized as follows:

	2013	2012
Balance at January 1	$62,873	$57,975
Less: Reinsurance receivable on unpaid losses	(18,743)	(15,673)
Net balance at January 1	44,130	42,302
Incurred related to:		
Current year	97,904	86,780
Prior years	(1,657)	(1,841)
Total incurred	96,247	84,939
Paid related to:		
Current year	66,705	61,786
Prior years	24,968	21,325
Total paid	91,673	83,111
Net balance at December 31	48,704	44,130
Plus: Reinsurance receivable on unpaid losses	14,314	18,743
Balance at December 31	$63,018	$62,873

Prior years' development was primarily the result of better than expected development on prior years IBNR reserves for certain lines of business primarily within American Southern.

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

	2013	2012
Total incurred claims	$96,247	$84,939
Cash surrender value and matured endowments	1,215	1,241
Benefit reserve changes	2,910	3,637
Total insurance benefits and losses incurred	$100,372	$89,817

Note 4. Reinsurance

In accordance with general practice in the insurance industry, portions of the life, property and casualty insurance written by the Company are reinsured; however, the Company remains liable with respect to reinsurance ceded should any reinsurer be unable or unwilling to meet its obligations. Approximately 99% of the Company's reinsurance receivables were due from two reinsurers as of December 31, 2013. Reinsurance receivables of $1,209 were due from Swiss Reinsurance Corporation, rated "AA-" by Standard & Poor's and "A+" (Superior) by A.M. Best and $13,021 were due from General Reinsurance Corporation, rated "AA+" by Standard & Poor's and "A++" (Superior) by A.M. Best. Allowances for uncollectible amounts are established against reinsurance receivables, if appropriate.

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The effects of reinsurance on premiums written, premiums earned and insurance benefits and losses incurred were as follows:

	2013	2012
Direct premiums written	$141,313	$130,402
Assumed premiums written	16,702	3,003
Ceded premiums written	(7,607)	(7,671)
Net premiums written	$150,408	$125,734
Direct premiums earned	$141,720	$131,299
Assumed premiums earned	11,517	3,115
Ceded premiums earned	(7,607)	(7,671)
Net premiums earned	$145,630	$126,743
Provision for benefits and losses incurred	$105,828	$99,026
Reinsurance loss recoveries	(5,456)	(9,209)
Insurance benefits and losses incurred	$100,372	$89,817

Components of reinsurance receivables were as follows:

	2013	2012
Receivable on unpaid losses	$14,314	$18,743
Receivable on paid losses	-	25
Total reinsurance receivables	$14,314	$18,768

Note 5. Income Taxes

Total income taxes were allocated as follows:

	2013	2012
Total tax expense on income	$184	$646
Tax expense (benefit) on components of shareholders' equity:		
Net unrealized gains (losses) on investment securities	(7,247)	3,688
Fair value adjustment to derivative financial instrument	49	257
Total tax expense (benefit) on shareholders' equity	(7,198)	3,945
Total tax expense (benefit)	$(7,014)	$4,591

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

	2013	2012
Federal income tax provision at statutory rate of 35%	$3,922	$1,779
Dividends received deduction	(149)	(175)
Small life insurance company deduction	(586)	(485)
Other	50	46
Change in asset valuation allowance due to change in judgment relating to realizability of deferred tax assets	(3,059)	(440)
Adjustment for prior years' estimates to actual	6	(79)
Income tax expense	$184	$646

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The primary differences between the effective tax rate and the federal statutory income tax rate resulted from the dividends-received deduction ("DRD"), the small life insurance company deduction ("SLD") and the change in deferred tax asset valuation allowance. The current estimated DRD is adjusted as underlying factors change and can vary from estimates based on, but not limited to, actual distributions from investments as well as the amount of the Company's taxable income. The SLD varies in amount and is determined at a rate of 60 percent of the tentative life insurance company taxable income ("LICTI"). The SLD for any taxable year is reduced (but not below zero) by 15 percent of the tentative LICTI for such taxable year as it exceeds $3,000 and is ultimately phased out at $15,000. The change in deferred tax asset valuation allowance was due to the unanticipated utilization of certain capital loss carryforward benefits that had been previously reserved.

Deferred tax liabilities and assets at December 31, 2013 and 2012 were comprised of the following:

	2013	2012
Deferred tax liabilities:		
Deferred acquisition costs	$(3,766)	$(4,197)
Deferred and uncollected premiums	(734)	(743)
Net unrealized investment gains	(3,341)	(10,588)
Other	(8)	(8)
Total deferred tax liabilities	(7,849)	(15,536)
Deferred tax assets:		
Net operating loss carryforwards	844	1,575
Insurance reserves	5,109	4,516
Capital loss carryforwards	2,177	5,236
Impaired assets	1,406	1,406
Alternative minimum tax credit	309	306
Bad debts and other	576	601
Total deferred tax assets	10,421	13,640
Asset valuation allowance	(2,209)	(5,268)
Net deferred tax asset (liability)	$363	$(7,164)

The components of income tax expense were:

	2013	2012
Current - Federal	$513	$743
Deferred - Federal	2,730	343
Change in deferred tax asset valuation allowance	(3,059)	(440)
Total	$184	$646

At December 31, 2013, the Company had regular federal net operating loss carryforwards ("NOLs") of approximately $2,411 expiring generally between 2028 and 2032. Currently, the Company believes that deferred income tax benefits relating to the NOLs will be realized. However, expected realization of the NOLs is assessed periodically based on the Company's then current and anticipated results of operations, and amounts could increase or decrease if estimates of future taxable income change.

As of December 31, 2013 and 2012, a valuation allowance of $2,209 and $5,268, respectively, was established against deferred income tax benefits relating primarily to capital loss carryforwards that may not be realized. The Company does not currently anticipate having sufficient future capital gains to offset certain of these capital losses during the applicable carryforward period. However, the Company continues to periodically assess the potential realization of these and all other deferred tax benefits. During 2013, the Company's valuation allowance decreased by $3,059. The decrease was primarily due to the unanticipated utilization of certain capital loss carryforward benefits that had been

previously reduced to zero through an existing valuation allowance reserve.

The Company has formal tax-sharing agreements, and files a consolidated income tax return, with its subsidiaries.

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Note 6. Junior Subordinated Debentures

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

The financial structure of each of Atlantic American Statutory Trust I and II, as of December 31, 2013 and 2012, was as follows:

	Atlantic American Statutory Trust I	Atlantic American Statutory Trust II
JUNIOR SUBORDINATED DEBENTURES [1] [2]		
Principal amount owed	$ 18,042	$ 23,196
Balance December 31, 2013	18,042	23,196
Balance December 31, 2012	18,042	23,196
Coupon rate	LIBOR + 4.00%	LIBOR + 4.10%
Interest payable	Quarterly	Quarterly
Maturity date	December 4, 2032	May 15, 2033
Redeemable by issuer	Yes	Yes
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	LIBOR + 4.00 %	LIBOR + 4.10 %
Distribution payable	Quarterly	Quarterly
Distribution guaranteed by [3]	Atlantic American Corporation	Atlantic American Corporation

(1) For each of the respective debentures, the Company has the right at any time, and from time to time, to defer payments of interest on the Junior Subordinated Debentures for a period not exceeding 20 consecutive quarters up to the debentures' respective maturity dates. During any such period, interest will continue to accrue and the Company may not declare or pay any cash dividends or distributions on, or purchase, the Company's common stock nor make any principal, interest or premium payments on or repurchase any debt securities that rank equally with or junior to the Junior Subordinated Debentures. The Company has the right at any time to dissolve each of the trusts and cause the Junior Subordinated Debentures to be distributed to the holders of the Trust Preferred Securities.

(2) The Junior Subordinated Debentures are unsecured and rank junior and subordinate in right of payment to all senior debt of the Parent and are effectively subordinated to all existing and future liabilities of its subsidiaries.

(3)

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.

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Note 7. Derivative Financial Instrument

The Company had a zero cost interest rate collar with Wells Fargo Bank, National Association, which terminated on March 4, 2013, the stated maturity date, by its terms.

Note 8. Commitments and Contingencies

Litigation

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

Operating Lease Commitments

The Company's rental expense, including common area charges, for operating leases was $1,215 and $1,204 in 2013 and 2012, respectively. The Company's future minimum base lease obligations under non-cancelable operating leases are as follows:

Year Ending December 31,	
2014	$886
2015	425
2016	435
2017	446
2018	457
Thereafter	193
Total	$2,842

Note 9. Benefit Plans

Stock Incentive Plans

On May 1, 2012, the Company's shareholders approved the 2012 Equity Incentive Plan (the "2012 Plan"). The 2012 Plan authorizes the grant of up to 2,000,000 stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares, performance units and other awards for the purpose of providing the Company's non-employee directors, consultants, officers and other employees incentives and rewards for superior performance. A total of 200,000 restricted shares, with an estimated fair value of $704 based on the common stock price at date of grant, were issued to officers and directors under the 2012 Plan in 2013. No awards were made in 2012.

A summary of the status of the Company's stock options at December 31, 2013 and 2012 is as follows:

	2013		2012	
Options	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	77,000	$ 1.59	231,000	$ 1.68
Options exercised	(62,500)	1.59	(150,000)	1.73
Options canceled or expired	(14,500)	1.59	(4,000)	1.59

Options outstanding, end of year	-	-	77,000	1.59
Options exercisable	-	-	77,000	1.59
Options available for future grant	1,800,000		2,000,000	

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401(k) Plan

The Company initiated an employees' savings plan (the "Plan") qualified under Section 401(k) of the Internal Revenue Code in May 1995. The Plan covers substantially all of the Company's employees. Effective January 1, 2009, the Company modified the Plan such that the Plan would operate on a safe harbor basis. Under the Plan, employees may defer up to 50% of their compensation, not to exceed the annual deferral limit. The Company's total matching contribution for 2013 and 2012 was $173 and $153, respectively, and consisted of a contribution equal to 50% of up to the first 4% of each participant's contributions. In addition to the matching contribution, the Company also provided a 3% safe harbor non-elective contribution in 2013 and 2012 of $369 and $302, respectively. The employer match and safe harbor contribution were made in cash.

Agent Stock Purchase Plan

The Company initiated a nonqualified stock purchase plan (the "Agent Stock Purchase Plan") in May 2012. The purpose of the Agent Stock Purchase Plan is to promote and advance the interests of the Company and its stockholders by providing independent agents who qualify as participants with an opportunity to purchase the common stock of the Company. Under the Agent Stock Purchase Plan, payment for shares of common stock of the Company is made by either deduction from an agent's commission payment or a direct cash payment. Stock purchases are made at the end of each calendar quarter at the then current market value.

Note 10. Preferred Stock

The Company had 65,000 and 70,000 shares of Series D preferred stock ("Series D Preferred Stock") outstanding at December 31, 2013 and 2012, respectively. 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 1,629,000 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. In 2013, the Company redeemed 5,000 shares of the Series D Preferred Stock at the stated value of $100 per share, for an aggregate payment of $500. As of December 31, 2013 and 2012, the Company had accrued, but unpaid, dividends, on the Series D Preferred Stock of $21 and $23, respectively. During 2013, the Company paid $483 in Series D Preferred Stock dividends whereas in 2012, the Company paid $1,015 which included a $508 dividend attributable to 2011.

Note 11. Earnings Per Common Share

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

	For the Year Ended December 31, 2013		
	Income	Shares (In thousands)	Per Share Amount
Basic Earnings Per Common Share			
Net income before preferred stock dividends	$11,022	21,236	
Less preferred stock dividends	(482)	-	
Net income applicable to common shareholders	10,540	21,236	$ .50

Diluted Earnings Per Common Share			
Effect of dilutive stock options	-	10	
Effect of Series D Preferred Stock	482	1,629	
Net income applicable to common shareholders	$11,022	22,875	$ .48

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	For the Year Ended December 31, 2012		
	Income	Shares (In thousands)	Per Share Amount
Basic Earnings Per Common Share			
Net income before preferred stock dividends	$4,436	21,222	
Less preferred stock dividends	(508)	-	
Net income applicable to common shareholders	3,928	21,222	$ .19
Diluted Earnings Per Common Share			
Effect of dilutive stock options	-	67	
Net income applicable to common shareholders	$3,928	21,289	$ .18

The assumed conversion of the Company's Series D Preferred Stock was excluded from the earnings per common share calculation for 2012 since its impact would have been antidilutive.

Note 12. Statutory Reporting

The assets, liabilities and results of operations have been reported on the basis of GAAP, which varies in some respects from statutory accounting practices ("SAP") prescribed or permitted by insurance regulatory authorities. The principal differences between SAP and GAAP are that under SAP: (i) certain assets that are non-admitted assets are eliminated from the balance sheet; (ii) acquisition costs for policies are expensed as incurred, while they are deferred and amortized over the estimated life of the policies under GAAP; (iii) the provision that is made for deferred income taxes is different than under GAAP; (iv) the timing of establishing certain reserves is different than under GAAP; and (v) certain valuation allowances attributable to certain investments are different.

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

	2013	2012
Life and Health, net income	$3,013	$2,271
Property and Casualty, net income	6,224	3,104
Statutory net income	$9,237	$5,375
Life and Health, surplus	$34,530	$33,059
Property and Casualty, surplus	39,092	36,947
Statutory surplus	$73,622	$70,006

Under the insurance code of the state in which each insurance subsidiary is domiciled, dividend payments to the Parent by its insurance subsidiaries are subject to certain limitations without the prior approval of the applicable state's Insurance Commissioner. The Parent received dividends of $6,646 and $7,350 in 2013 and 2012, respectively, from its subsidiaries. In 2014, dividend payments to the Parent by the insurance subsidiaries in excess of $7,112 would require prior approval.

Note 13. Related Party Transactions

In the normal course of business the Company has engaged in transactions with entities affiliated with the controlling shareholder of the Company. These transactions include the leasing of office space as well as certain investing and financing activities. At December 31, 2013, two members of the Company's board of directors were considered affiliates of the majority shareholder including our chairman, president and chief executive officer.

The Company leases approximately 49,586 square feet of office and covered garage space from one such controlled entity. During the years ended December 31, 2013 and 2012, the Company paid $864 and $853, respectively, under this lease.

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Certain financing for the Company has also been provided by this entity in the form of an investment in the Series D Preferred Stock (See Note 10).

Certain members of the Company's management and board of directors are shareholders and on the board of directors of Gray Television, Inc. ("Gray"). As of December 31, 2013 the Company owned 880,272 shares of Gray Class A common stock and 106,000 shares of Gray common stock. As of December 31, 2012 the Company owned 388,060 shares of Gray Class A common stock and 106,000 shares of Gray common stock. The aggregate carrying value of these investments in Gray at December 31, 2013 and 2012 was $12,942 and $908, respectively.

Note 14. Segment Information

The Parent's primary insurance subsidiaries operate with relative autonomy and each company is evaluated based on its individual performance. American Southern operates in the property and casualty insurance market, while Bankers Fidelity operates in the life and health insurance market. Each segment derives revenue from the collection of premiums, as well as from investment income. Substantially all revenue other than that in the corporate and other segment is from external sources.

	2013				
	American Southern	Bankers Fidelity	Corporate & Other	Adjustments & Eliminations	Consolidated
Insurance premiums	$45,851	$99,779	$-	$ -	$ 145,630
Insurance benefits and losses incurred	30,197	70,175	-	-	100,372
Expenses deferred	(7,106)	(3,230)	-	-	(10,336)
Amortization and depreciation expense	7,440	2,120	-	-	9,560
Other expenses	15,777	31,742	15,076	(8,028)	54,567
Total expenses	46,308	100,807	15,076	(8,028)	154,163
Underwriting loss	(457)	(1,028)			
Investment income	4,308	5,920	2,338	(1,757)	10,809
Other income	12	40	6,408	(6,271)	189
Operating income (loss)	3,863	4,932	(6,330)	-	2,465
Net realized gains	3,767	4,330	644	-	8,741
Income (loss) before income taxes	$7,630	$9,262	$(5,686)	$ -	$ 11,206
Total revenues	$53,938	$110,069	$9,390	$ (8,028)	$ 165,369
Intangibles	$1,350	$1,194	$-	$ -	$ 2,544
Total assets	$126,861	$156,484	$141,304	$ (105,268)	$ 319,381

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	2012				
	American Southern	Bankers Fidelity	Corporate & Other	Adjustments & Eliminations	Consolidated
Insurance premiums	$37,471	$89,272	$-	$ -	$ 126,743
Insurance benefits and losses incurred	27,337	62,480	-	-	89,817
Expenses deferred	(8,515)	(3,810)	-	-	(12,325)
Amortization and depreciation expense	9,009	1,911	-	-	10,920
Other expenses	11,758	27,674	14,340	(7,438)	46,334
Total expenses	39,589	88,255	14,340	(7,438)	134,746
Underwriting income (loss)	(2,118)	1,017			
Investment income	4,560	6,195	2,582	(1,833)	11,504
Other income	-	48	5,704	(5,605)	147
Operating income (loss)	2,442	7,260	(6,054)	-	3,648
Net realized gains	383	1,051	-	-	1,434
Income (loss) before income taxes	$2,825	$8,311	$(6,054)	$ -	$ 5,082
Total revenues	$42,414	$96,566	$8,286	$ (7,438)	$ 139,828
Intangibles	$1,350	$778	$-	$ -	$ 2,128
Total assets	$130,092	$161,078	$153,912	$ (124,905)	$ 320,177

Note 15. Disclosures About Fair Value 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. Accordingly, the estimates presented herein are not necessarily indicative of the amounts which the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

		2013		2012	
	Level in Fair Value Hierarchy [1]	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:					
Cash and cash equivalents	Level 1	$33,102	$33,102	$18,951	$18,951
Fixed maturities	[1]	201,303	201,303	230,508	230,508
Equity securities	[1]	21,890	21,890	12,205	12,205
Other invested assets	Level 3	2,123	2,123	565	565
Policy loans	Level 2	2,369	2,369	2,338	2,338
Real estate	Level 2	38	38	38	38
Investments in unconsolidated trusts	Level 2	1,238	1,238	1,238	1,238
Liabilities:					
Junior Subordinated Debentures	Level 2	41,238	41,238	41,238	41,238
Derivative financial instrument	Level 3	-	-	141	141

[1] See Note 2 for a description of the fair value hierarchy as well as a disclosure of levels for classes of these financial assets.

The fair value estimates as of December 31, 2013 and 2012 were based on pertinent information available to management as of the respective dates. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from amounts that might ultimately be realized in a market exchange on any subsequent date.

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

Cash and Cash Equivalents

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

Fixed Maturities and Common and Non-Redeemable Preferred Stocks

The carrying amount is determined in accordance with methods prescribed by the NAIC, which do not differ materially from publicly quoted market prices. Certain fixed maturities do not have publicly quoted values and consist solely of issuances of pooled debt obligations of multiple, smaller financial services companies. They are not actively traded and valuation techniques used to measure fair value are based on future estimated cash flows discounted at a reasonably estimated rate of interest. Other qualitative and quantitative information received from the original underwriter of the pooled offerings is also considered, as applicable.

Non-publicly Traded Invested Assets

The fair value of investments in certain limited partnerships which are included in other invested assets on the consolidated balance sheet were determined by officers of those limited partnerships.

Junior Subordinated Debentures

The fair value is estimated based on the quoted market prices for similar issues and the current rates offered for debt having similar returns and remaining maturities.

Derivative Financial Instrument

As the Company’s only derivative financial instrument was an interest rate collar, changes in valuation were correlated with changes in interest rates and contract maturity date and, accordingly, values were estimated using projected cash flows at current interest rates discounted at a reasonably estimated rate of interest. Fair value quotations were also obtained and considered, as applicable, from the contractual counterparty.

Note 16. Accumulated Other Comprehensive Income

The following table sets forth the balance of each component of accumulated other comprehensive income as of December 31, 2013 and 2012, and the changes in the balance of each component thereof during 2013.

	Unrealized Gains on Available-for-Sale Securities	Derivative Financial Instrument	Total
Balance, December 31, 2012	$ 19,663	$ (92)	$ 19,571
Other comprehensive income (loss) before reclassifications	(7,777)	92	(7,685)
Amounts reclassified from accumulated other comprehensive income	(5,682)	-	(5,682)
Net current-period other comprehensive income (loss)	(13,459)	92	(13,367)
Balance, December 31, 2013	$ 6,204	$ -	$ 6,204

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Note 17. Acquisitions

On December 18, 2013, the Company acquired 100% of the outstanding stock of Direct Life Insurance Company ("DLIC") for $3,857 and changed the name of the company to Bankers Fidelity Assurance Company. The acquisition will allow Bankers Fidelity to offer additional similar products to those it already writes permitting greater diversification of product and pricing as well as opportunity for future expansion in other states. The purchase was not significant to the financial position or results of operations of the Company in 2013 and DLIC had no significant recent operations prior to acquisition. In connection with the acquisition the following assets and liabilities were acquired:

	2013
Cash and cash equivalents	$1,317
Investments	2,123
Receivables	7
Intangibles	416
Total assets	$3,863
Accounts payable and accrued expenses	$6
Total liabilities	$6

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

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 our disclosure controls and procedures (as defined in Rules 13a-25(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of that date.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Our 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.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013 based upon the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (1992 version). Based on that evaluation, management believes that internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f) was effective as of December 31, 2013.

There were no changes in our internal control over financial reporting that occurred during the fourth quarter of 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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This Annual Report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to certain rules of the Securities and Exchange Commission that exempt smaller reporting companies, including the Company, from such requirement.

Item 9B. Other Information

None.

PART III

With the exception of certain information relating to the Executive Officers of the Company, which is provided in Part I hereof, the information relating to securities authorized for issuance under equity compensation plans and the information relating to the Company's Code of Ethics, each of which is included below, all information required by Part III (Items 10, 11, 12, 13 and 14 of Form 10-K) is incorporated by reference to the sections entitled "Election of Directors", "Security Ownership of Certain Beneficial Owners and Management", "Section 16(a) Beneficial Ownership Reporting Compliance", "Executive Compensation", "Certain Relationships and Related Transactions, and Director Independence" and "Ratification of Independent Registered Public Accounting Firm" to be contained in the Company's definitive proxy statement in connection with the Company's Annual Meeting of Shareholders to be held on May 6, 2014, to be filed with the SEC within 120 days of the Company's fiscal year end.

Equity Compensation Plan Information

The following table sets forth, as of December 31, 2013, the number of securities issuable upon exercise of outstanding options, warrants and rights, the weighted average exercise price thereof and the number of securities remaining available for future issuance under the Company's equity compensation plans:

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders	-	$ -	1,800,000
Equity compensation plans not approved by security holders [1]	-	-	-
Total	-	$ -	1,800,000

[1] All the Company's equity compensation plans have been approved by the Company's shareholders.

The Company has adopted a Code of Ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or any persons performing similar functions, as well as its directors and other employees. A copy of this Code of Ethics has been filed as an exhibit to this annual report on Form 10-K.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

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

1. Financial Statements:

See Index to Financial Statements contained in Item 8 hereof.

2. Financial Statement Schedules:

Schedule II - Condensed financial information of the registrant
Schedule III - Supplementary insurance information of the registrant
Schedule IV - Reinsurance information for the registrant
Schedule VI - Supplemental information concerning property-casualty insurance operations of the registrant

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

3. Exhibits *:

3.1	-	Restated Articles of Incorporation of the registrant, as amended [incorporated by reference to Exhibit 3.1 to the registrant's Form 10-K for the year ended December 31, 2008].
3.2	-	Bylaws of the registrant, as amended [incorporated by reference to Exhibit 3.2 to the registrant's Form 10-K for the year ended December 31, 2008].
10.01	-	Management Agreement between the registrant and Atlantic American Life Insurance Company and Bankers Fidelity Life Insurance Company dated July 1, 1993 [incorporated by reference to Exhibit 10.41 to the registrant's Form 10-Q for the quarter ended September 30, 1993].
10.02	-	Tax allocation agreement dated January 28, 1994, between registrant and registrant's subsidiaries [incorporated by reference to Exhibit 10.44 to the registrant's Form 10-K for the year ended December 31, 1993].
10.03**	-	Atlantic American Corporation 2002 Stock Incentive Plan [incorporated by reference to Exhibit 4.1 to the registrant's Form S-8 (File No. 333-97567) filed on August 2, 2002].
10.04**	-	Atlantic American Corporation 2012 Nonqualified Stock Purchase Plan [incorporated by reference to Exhibit 99.1 to the registrant's Form S-8 (File No. 333-183207) filed on August 10, 2012].
10.05**	-	Atlantic American Corporation 2012 Equity Incentive Plan [incorporated by reference to Exhibit 10.1 to registrant's Form 10-Q for the quarter ended March 31, 2013].
10.06**	-	Summary Terms of Consulting Arrangement between Bankers Fidelity Life Insurance Company and William H. Whaley, M.D. [incorporated by reference to Exhibit 10.06 to the registrant's Form 10-K for the year ended December 31, 2010].

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10.07	-	Lease Agreement between Georgia Casualty & Surety Company, Bankers Fidelity Life Insurance Company, Atlantic American Corporation and Delta Life Insurance Company dated as of November 1, 2007 [incorporated by reference to Exhibit 10.10 to the registrant's Form 10-K for the year ended December 31, 2007].
10.08	-	First Amendment to Lease Agreement between Georgia Casualty & Surety Company, Bankers Fidelity Life Insurance Company, Atlantic American Corporation and Delta Life Insurance Company dated as of March 31, 2008 [incorporated by reference to Exhibit 10.2 to the registrant's Form 10-Q for the quarter ended March 31, 2008].
14.1	-	Code of Ethics [incorporated by reference to Exhibit 14.1 to the registrant's Form 10-K for the year ended December 31, 2003].
21.1	-	Subsidiaries of the registrant.
23.1	-	Consent of BDO USA LLP, Independent Registered Public Accounting Firm.
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	-	XBRL Instance Document.
101.SCH	-	XBRL Taxonomy Extension Schema.
101.CAL	-	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	-	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	-	XBRL Taxonomy Extension Label Linkbase.
101.PRE	-	XBRL Taxonomy Extension Presentation Linkbase.

* The registrant agrees to furnish to the Commission upon request a copy of any instruments defining the rights of security holders of the registrant that may be omitted from filing in accordance with the Commission's rules and regulations.

** Management contract, compensatory plan or arrangement required to be filed pursuant to Part IV, Item 15(c) of Form 10-K and Item 601 of Regulation S-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ATLANTIC
AMERICAN
CORPORATION
(Registrant)

By: /s/ John G. Sample, Jr.
John G. Sample, Jr.
Senior Vice President
and Chief Financial
Officer

Date: March 26, 2014

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

Signature	Title	Date
/s/ Hilton H. Howell, Jr. HILTON H. HOWELL, JR.	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 26, 2014
/s/ John G. Sample, Jr. JOHN G. SAMPLE, JR.	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 26, 2014
/s/ Edward E. Elson EDWARD E. ELSON	Director	March 26, 2014
/s/ Robin R. Howell ROBIN R. HOWELL	Director	March 26, 2014
/s/ Samuel E. Hudgins SAMUEL E. HUDGINS	Director	March 26, 2014
/s/ Harriett J. Robinson HARRIETT J. ROBINSON	Director	March 26, 2014
/s/ Scott G. Thompson SCOTT G. THOMPSON	Director	March 26, 2014
/s/ William H. Whaley, M.D. WILLIAM H. WHALEY, M.D.	Director	March 26, 2014
/s/ Dom H. Wyant DOM H. WYANT	Director	March 26, 2014

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CONDENSED FINANCIAL INFORMATION OF REGISTRANT

ATLANTIC AMERICAN CORPORATION
(Parent Company Only)

BALANCE SHEETS

ASSETS

	December 31,	
	2013	2012
	(In thousands)	
Cash and cash equivalents	$13,936	$13,306
Investments	18,043	14,122
Investment in subsidiaries	105,268	124,904
Investments in unconsolidated trusts	1,238	1,238
Income taxes receivable from subsidiaries	4,530	1,989
Other assets	2,676	559
Total assets	$145,691	$156,118

LIABILITIES AND SHAREHOLDERS' EQUITY

Deferred tax liability, net	$297	$7,824
Other payables	3,229	1,320
Junior subordinated debentures	41,238	41,238
Total liabilities	44,764	50,382
Shareholders' equity	100,927	105,736
Total liabilities and shareholders' equity	$145,691	$156,118

See accompanying report of independent registered public accounting firm.
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Schedule II

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

ATLANTIC AMERICAN CORPORATION
(Parent Company Only)

STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2013	2012
	(In thousands)	
REVENUE		
Fee income from subsidiaries	$6,271	$5,605
Distributed earnings from subsidiaries	6,646	7,350
Other	1,330	844
Total revenue	14,247	13,799
GENERAL AND ADMINISTRATIVE EXPENSES	11,106	9,659
INTEREST EXPENSE	1,898	2,632
	1,243	1,508
INCOME TAX BENEFIT[1]	(4,504)	(1,766)
	5,747	3,274
EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES, NET	5,275	1,162
NET INCOME	$11,022	$4,436

(1) Under the terms of a tax-sharing agreement, income tax provisions for the subsidiary companies are computed on a separate company basis. Accordingly, the Company’s income tax benefit results from the utilization of the Parent’s separate return loss to reduce the consolidated taxable income of the Company.

See accompanying report of independent registered public accounting firm.

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CONDENSED FINANCIAL INFORMATION OF REGISTRANT

ATLANTIC AMERICAN CORPORATION
(Parent Company Only)

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2013	2012
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$11,022	$4,436
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized investment gains, net	(644)	-
Depreciation and amortization	117	75
Compensation expense related to share awards	219	-
Equity in undistributed earnings of consolidated subsidiaries	(5,275)	(1,162)
(Increase) decrease in intercompany taxes	(2,541)	463
Deferred income tax benefit	(329)	(97)
Increase (decrease) in other liabilities	846	(746)
Other, net	161	(251)
Net cash provided by operating activities	3,576	2,718
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investments sold, called or matured	5,568	-
Investments purchased	(4,438)	-
Capital contribution to subsidiaries	(200)	(200)
Additions to property and equipment	(1,192)	(166)
Net cash used in investing activities	(262)	(366)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of Series D preferred stock	(500)	-
Payment of dividends on Series D preferred stock	(483)	(1,015)
Payment of dividends on common stock	(423)	(1,486)
Proceeds from shares issued under stock plans	138	297
Purchase of shares for treasury	(1,416)	(607)
Net cash used in financing activities	(2,684)	(2,811)
Net increase (decrease) in cash	630	(459)
Cash and cash equivalents at beginning of year	13,306	13,765
Cash and cash equivalents at end of year	$13,936	$13,306
Supplemental disclosure:		
Cash paid for interest	$1,961	$2,636
Cash paid for income taxes	$536	$405
Intercompany tax settlement from subsidiaries	$2,574	$2,132

See accompanying report of independent registered public accounting firm.

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ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY INSURANCE INFORMATION

Segment	Deferred Acquisition Costs	Future Policy Benefits, Losses, Claims and Loss Reserves	Unearned Premiums	Other Policy Claims and Benefits Payable
	(In thousands)			
December 31, 2013:				
Bankers Fidelity	$24,275	$81,682	$4,419	$2,076
American Southern	3,234	51,200	22,996	-
	$27,509	$132,882 (1)	$27,415	$2,076
December 31, 2012:				
Bankers Fidelity	$22,864	$77,041	$4,564	$2,116
American Southern	3,269	52,764	18,073	-
	$26,133	$129,805 (2)	$22,637	$2,116

(1) Includes future policy benefits of $69,864 and losses and claims of $63,018.

(2) Includes future policy benefits of $66,932 and losses and claims of $62,873.

See accompanying report of independent registered public accounting firm.

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ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY INSURANCE INFORMATION

Segment	Premium Revenue	Net Investment Income	Benefits, Claims, Losses and Settlement Expenses	Amortization of Deferred Acquisition Costs	Other Operating Expenses	Casualty Premiums Written
	(In thousands)					
December 31, 2013:						
Bankers Fidelity	$ 99,779	$ 5,466	$ 70,175	$ 1,820	$ 28,812	$ -
American Southern	45,851	4,288	30,197	7,140	8,971	50,774
Other	-	581	-	-	7,048	-
	$ 145,630	$ 10,335	$ 100,372	$ 8,960	$ 44,831	$ 50,774
December 31, 2012:						
Bankers Fidelity	$ 89,272	$ 6,032	$ 62,480	$ 1,677	$ 24,098	$ -
American Southern	37,471	4,529	27,337	8,774	3,478	36,182
Other	-	749	-	-	6,902	-
	$ 126,743	$ 11,310	$ 89,817	$ 10,451	$ 34,478	$ 36,182

See accompanying report of independent registered public accounting firm.

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Schedule IV

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
REINSURANCE

	Direct Amount	Ceded To Other Companies	Assumed From Other Companies	Net Amounts	Percentage of Amount Assumed To Net	
	(Dollars in thousands)					
Year ended December 31, 2013:						
Life insurance in force	$259,723	$ (18,525)	$ -	$241,198		
Premiums --						
Bankers Fidelity	$99,745	$ (54)	$ 88	$99,779	0.1	%
American Southern	41,975	(7,553)	11,429	45,851	24.9	%
Total premiums	$141,720	$ (7,607)	$ 11,517	$145,630	7.9	%
Year ended December 31, 2012:						
Life insurance in force	$264,435	$ (15,800)	$ -	$248,635		
Premiums --						
Bankers Fidelity	$89,231	$ (68)	$ 109	$89,272	0.1	%
American Southern	42,068	(7,603)	3,006	37,471	8.0	%
Total premiums	$131,299	$ (7,671)	$ 3,115	$126,743	2.5	%

See accompanying report of independent registered public accounting firm.

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Schedule VI

ATLANTIC AMERICAN CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION CONCERNING
PROPERTY-CASUALTY INSURANCE OPERATIONS

Year Ended	Deferred Policy Acquisition Costs	Reserves	Unearned Premiums	Earned Premiums	Net Investment Income	Claims and Claim Adjustment Expenses Incurred Related To Current Year	Prior Years	Amortization of Deferred Acquisition Costs	Paid Claims and Claim Adjustment Expenses	Premiums Written
	(In thousands)									
December 31, 2013	$3,234	$51,200	$22,996	$45,851	$4,288	$32,672	$(2,475)	$7,140	$27,339	$50,774
December 31, 2012	$3,269	$52,764	$18,073	$37,471	$4,529	$29,054	$(1,717)	$8,774	$27,134	$36,182

See accompanying report of independent registered public accounting firm.