

ATLANTIC AMERICAN CORP  
Form 10-Q  
November 12, 2014

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

FORM 10-Q

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

For the quarterly period ended September 30, 2014  
OR

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

Commission File Number 0-3722

ATLANTIC AMERICAN CORPORATION  
(Exact name of registrant as specified in its charter)

Georgia 58-1027114  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

4370 Peachtree Road, N.E., 30319  
Atlanta, Georgia (Zip Code)  
(Address of principal executive offices)

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

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

Indicate by check mark whether the registrant has submitted electronically 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

The total number of shares of the registrant's Common Stock, \$1 par value, outstanding on November 6, 2014 was 20,622,126.

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ATLANTIC AMERICAN CORPORATION

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## PART I. FINANCIAL INFORMATION

Item 1. Financial StatementsATLANTIC AMERICAN CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands, except per share data)

## ASSETS

	Unaudited September 30, 2014	December 31, 2013
Cash and cash equivalents	\$ 16,494	\$ 33,102
Investments:		
Fixed maturities (cost: \$206,184 and \$201,217)	213,100	201,303
Common and non-redeemable preferred stocks (cost: \$11,969 and \$12,432)	15,783	21,890
Other invested assets (cost: \$3,064 and \$2,123)	3,064	2,123
Policy loans	2,206	2,369
Real estate	38	38
Investment in unconsolidated trusts	1,238	1,238
Total investments	235,429	228,961
Receivables:		
Reinsurance	15,588	14,314
Insurance premiums and other (net of allowance for doubtful accounts: \$378 and \$339)	14,045	9,343
Deferred income taxes, net	-	363
Deferred acquisition costs	26,992	27,509
Other assets	5,833	3,245
Intangibles	2,544	2,544
Total assets	\$ 316,925	\$ 319,381

## LIABILITIES AND SHAREHOLDERS' EQUITY

Insurance reserves and policyholder funds:		
Future policy benefits	\$70,651	\$69,864
Unearned premiums	27,143	27,415
Losses and claims	66,388	63,018
Other policy liabilities	1,382	2,076
Total insurance reserves and policyholder funds	165,564	162,373
Accounts payable and accrued expenses	15,054	14,843
Deferred income taxes, net	387	-
Junior subordinated debenture obligations, net (Note 3)	33,738	41,238
Total liabilities	214,743	218,454
Commitments and contingencies (Note 6)		
Shareholders' equity:		
Preferred stock, \$1 par, 4,000,000 shares authorized; Series D preferred, 65,000 shares issued and outstanding; \$6,500 redemption value	65	65
Common stock, \$1 par, 50,000,000 shares authorized; shares issued: 22,400,894; shares outstanding: 20,638,210 and 21,117,874	22,401	22,401
Additional paid-in capital	57,473	57,103

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Retained earnings	21,111	18,738
Accumulated other comprehensive income	6,975	6,204
Unearned stock grant compensation	(564 )	(485 )
Treasury stock, at cost: 1,762,684 and 1,283,020 shares	(5,279 )	(3,099 )
Total shareholders' equity	102,182	100,927
Total liabilities and shareholders' equity	\$316,925	\$319,381

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

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## ATLANTIC AMERICAN CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; Dollars in thousands, except per share data)

	Three Months		Nine Months Ended	
	Ended September 30, 2014	2013	September 30, 2014	2013
Revenue:				
Insurance premiums	\$38,337	\$38,385	\$115,211	\$107,777
Investment income	2,678	2,534	7,875	8,213
Realized investment gains, net	848	2,283	1,441	8,415
Other income (Note 3)	793	45	875	140
Total revenue	42,656	43,247	125,402	124,545
Benefits and expenses:				
Insurance benefits and losses incurred	27,094	26,786	80,991	75,147
Commissions and underwriting expenses	10,238	10,396	30,219	30,081
Interest expense	388	442	1,251	1,457
Other expense	3,349	2,934	9,375	8,097
Total benefits and expenses	41,069	40,558	121,836	114,782
Income before income taxes	1,587	2,689	3,566	9,763
Income tax expense	136	9	418	201
Net income	1,451	2,680	3,148	9,562
Preferred stock dividends	(117 )	(118 )	(353 )	