

ATLANTIC AMERICAN CORP
Form 10-Q
August 14, 2018

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 June 30, 2018
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, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

Edgar Filing: ATLANTIC AMERICAN CORP - Form 10-Q

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The total number of shares of the registrant's Common Stock, \$1 par value, outstanding on August 3, 2018 was 20,249,483.

ATLANTIC AMERICAN CORPORATION

TABLE OF CONTENTS

	<u>Page No.</u>
<u>Part I. Financial Information</u>	
Item 1. Financial Statements:	
<u>Condensed Consolidated Balance Sheets at June 30, 2018 and December 31, 2017</u>	2
<u>Condensed Consolidated Statements of Operations for the three months and six months ended June 30, 2018 and 2017</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months and six months ended June 30, 2018 and 2017</u>	4
<u>Condensed Consolidated Statements of Shareholders' Equity for the six months ended June 30, 2018 and 2017</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
Item 4. <u>Controls and Procedures</u>	29
<u>Part II. Other Information</u>	
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	30
Item 6. <u>Exhibits</u>	30
<u>Signatures</u>	31

Table of Contents

PART I. FINANCIAL INFORMATION

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

ASSETS

	Unaudited	
	June 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 7,487	\$ 24,547
Investments:		
Fixed maturities, available-for-sale (cost: \$216,995 and \$212,544)	208,856	215,108
Equity securities (cost: \$10,918 and \$10,918)	23,025	23,355
Other invested assets (cost: \$11,417 and \$5,626)	11,417	5,626
Policy loans	2,140	2,146
Real estate	38	38
Investment in unconsolidated trusts	1,238	1,238
Total investments	246,714	247,511
Receivables:		
Reinsurance	23,659	17,613
Insurance premiums and other (net of allowance for doubtful accounts: \$231 and \$209)	19,379	13,241
Deferred income taxes, net	2,873	-
Deferred acquisition costs	34,193	32,694
Other assets	4,806	5,089
Intangibles	2,544	2,544
Total assets	\$ 341,655	\$ 343,239
LIABILITIES AND SHAREHOLDERS' EQUITY		
Insurance reserves and policyholder funds:		
Future policy benefits	\$ 87,240	\$ 82,435
Unearned premiums	30,628	23,449
Losses and claims	72,075	65,689
Other policy liabilities	1,477	2,010
Total insurance reserves and policyholder funds	191,420	173,583
Accounts payable and accrued expenses	14,830	22,342
Deferred income taxes, net	-	593
Junior subordinated debenture obligations, net	33,738	33,738
Total liabilities	239,988	230,256
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Preferred stock, \$1 par, 4,000,000 shares authorized; Series D preferred, 55,000 shares issued and outstanding; \$5,500 redemption value	55	55
Common stock, \$1 par, 50,000,000 shares authorized; shares issued: 22,400,894; shares outstanding: 20,263,221 and 20,449,531	22,401	22,401
Additional paid-in capital	57,416	57,495
Retained earnings	36,273	30,993
Accumulated other comprehensive income (loss)	(6,429)	9,751

Edgar Filing: ATLANTIC AMERICAN CORP - Form 10-Q

Unearned stock grant compensation	(322)	(579)
Treasury stock, at cost: 2,137,673 and 1,951,363 shares	(7,727)	(7,133)
Total shareholders' equity	101,667	112,983
Total liabilities and shareholders' equity	\$341,655	\$343,239

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

-2-

Table of ContentsATLANTIC AMERICAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenue:				
Insurance premiums	\$42,845	\$40,120	\$85,047	\$80,902
Investment income	2,537	2,085	4,896	4,244
Realized investment gains (losses), net	(57)	1,396	313	2,279
Unrealized gains (losses) on equity securities, net	4,089	-	(330)	-
Other income	29	31	57	66
Total revenue	49,443	43,632	89,983	87,491
Benefits and expenses:				
Insurance benefits and losses incurred	32,219	27,032	65,391	57,029
Commissions and underwriting expenses	9,715	11,010	19,734	21,624
Interest expense	506	424	968	833
Other expense	2,970	2,981	6,208	6,167
Total benefits and expenses	45,410	41,447	92,301	85,653
Income (loss) before income taxes	4,033	2,185	(2,318)	1,838
Income tax expense (benefit)	848	725	(479)	599
Net income (loss)	3,185	1,460	(1,839)	1,239
Preferred stock dividends	(100)	(100)	(199)	(199)