REGENCY CENTERS CORP
Form 10-Q
November 05, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2015
or

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

For the transition period from to

Commission File Number 1-12298 (Regency Centers Corporation)
Commission File Number 0-24763 (Regency Centers, L.P.)

REGENCY CENTERS CORPORATION
REGENCY CENTERS, L.P.
(Exact name of registrant as specified in its charter)

FLORIDA (REGENCY CENTERS CORPORATION)	59-3191743
DELAWARE (REGENCY CENTERS, L.P)	59-3429602
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Independent Drive, Suite 114 Jacksonville, Florida 32202	(904) 598-7000
(Address of principal executive offices) (zip code)	(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.

Regency Centers Corporation YES x NO o Regency Centers, L.P. 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Regency Centers Corporation YES x NO o Regency Centers, L.P. YES x NO o

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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Regency Centers Corporation:

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o

Regency Centers, L.P.:

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	o

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

Regency Centers Corporation YES o NO x Regency Centers, L.P. YES o NO x

The number of shares outstanding of the Regency Centers Corporation’s voting common stock was 94,162,229 as of October 30, 2015.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2015 of Regency Centers Corporation and Regency Centers, L.P. Unless stated otherwise or the context otherwise requires, references to "Regency Centers Corporation" or the "Parent Company" mean Regency Centers Corporation and its controlled subsidiaries; and references to "Regency Centers, L.P." or the "Operating Partnership" mean Regency Centers, L.P. and its controlled subsidiaries. The term "the Company" or "Regency" means the Parent Company and the Operating Partnership, collectively.

The Parent Company is a real estate investment trust ("REIT") and the general partner of the Operating Partnership. The Operating Partnership's capital includes general and limited common Partnership Units ("Units"). As of September 30, 2015, the Parent Company owned approximately 99.8% of the Units in the Operating Partnership and the remaining limited Units are owned by investors. The Parent Company owns all of the Series 6 and 7 Preferred Units of the Operating Partnership. As the sole general partner of the Operating Partnership, the Parent Company has exclusive control of the Operating Partnership's day-to-day management.

The Company believes combining the quarterly reports on Form 10-Q of the Parent Company and the Operating Partnership into this single report provides the following benefits:

- enhances investors' understanding of the Parent Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

Management operates the Parent Company and the Operating Partnership as one business. The management of the Parent Company consists of the same individuals as the management of the Operating Partnership. These individuals are officers of the Parent Company and employees of the Operating Partnership.

The Company believes it is important to understand the few differences between the Parent Company and the Operating Partnership in the context of how the Parent Company and the Operating Partnership operate as a consolidated company. The Parent Company is a REIT, whose only material asset is its ownership of partnership interests of the Operating Partnership. As a result, the Parent Company does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing public equity from time to time and guaranteeing certain debt of the Operating Partnership. The Parent Company does not hold any indebtedness, but guarantees all of the unsecured public debt and approximately 21% of the secured debt of the Operating Partnership. The Operating Partnership holds all the assets of the Company and retains the ownership interests in the Company's joint ventures. Except for net proceeds from public equity issuances by the Parent Company, which are contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates all remaining capital required by the Company's business. These sources include the Operating Partnership's operations, its direct or indirect incurrence of indebtedness, and the issuance of partnership units.

Stockholders' equity, partners' capital, and noncontrolling interests are the main areas of difference between the consolidated financial statements of the Parent Company and those of the Operating Partnership. The Operating Partnership's capital includes general and limited common Partnership Units, and Series 6 and 7 Preferred Units owned by the Parent Company. The limited partners' units in the Operating Partnership owned by third parties are accounted for in partners' capital in the Operating Partnership's financial statements and outside of stockholders' equity in noncontrolling interests in the Parent Company's financial statements. The Series 6 and 7 Preferred Units owned by the Parent Company are eliminated in consolidation in the accompanying consolidated financial statements of the Parent Company and are classified as preferred units of general partner in the accompanying consolidated financial statements of the Operating Partnership.

In order to highlight the differences between the Parent Company and the Operating Partnership, there are sections in this report that separately discuss the Parent Company and the Operating Partnership, including separate financial statements, controls and procedures sections, and separate Exhibit 31 and 32 certifications. In the sections that

combine disclosure for the Parent Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company.

As general partner with control of the Operating Partnership, the Parent Company consolidates the Operating Partnership for financial reporting purposes, and the Parent Company does not have assets other than its investment in the Operating Partnership. Therefore, while stockholders' equity and partners' capital differ as discussed above, the assets and liabilities of the Parent Company and the Operating Partnership are the same on their respective financial statements.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements
REGENCY CENTERS CORPORATION
Consolidated Balance Sheets
September 30, 2015 and December 31, 2014
(in thousands, except share data)

		2015	2014
Assets		(unaudited)	
Real estate investments at cost:			
Land	$	1,431,612	1,380,211
Buildings and improvements		2,880,141	2,790,137
Properties in development		187,240	239,538
		4,498,993	4,409,886
Less: accumulated depreciation		1,014,788	933,708
		3,484,205	3,476,178
Investments in real estate partnerships		321,164	333,167
Net real estate investments		3,805,369	3,809,345
Cash and cash equivalents		23,880	113,776
Restricted cash		5,142	8,013
Accounts receivable, net of allowance for doubtful accounts of $5,377 and $4,523 at September 30, 2015 and December 31, 2014, respectively		24,642	30,999
Straight-line rent receivable, net of reserve of $1,176 and $652 at September 30, 2015 and December 31, 2014, respectively		61,435	55,768
Notes receivable		11,314	12,132
Deferred costs, less accumulated amortization of $85,591 and $81,822 at September 30, 2015 and December 31, 2014, respectively		77,599	71,502
Acquired lease intangible assets, less accumulated amortization of $43,350 and $36,112 at September 30, 2015 and December 31, 2014, respectively		108,400	52,365
Trading securities held in trust, at fair value		28,291	28,134
Other assets		24,815	15,136
Total assets	$	4,170,887	4,197,170
Liabilities and Equity			
Liabilities:			
Notes payable	$	1,808,652	1,946,357
Unsecured credit facilities		215,000	75,000
Accounts payable and other liabilities		171,304	181,197
Acquired lease intangible liabilities, less accumulated accretion of $16,689 and $13,993 at September 30, 2015 and December 31, 2014, respectively		43,161	32,143
Tenants' security, escrow deposits and prepaid rent		24,726	25,991
Total liabilities		2,262,843	2,260,688
Commitments and contingencies (note 12)			
Equity:			
Stockholders' equity:			
Preferred stock, $0.01 par value per share, 30,000,000 shares authorized; 13,000,000 Series 6 and 7 shares issued and outstanding at September 30, 2015 and December 31, 2014, with liquidation		325,000	325,000

preferences of $25 per share		
Common stock, $0.01 par value per share,150,000,000 shares authorized; 94,161,761 and 94,108,061 shares issued at September 30, 2015 and December 31, 2014, respectively	942	941
Treasury stock at cost, 414,541 and 425,246 shares held at September 30, 2015 and December 31, 2014, respectively	(19,438)	(19,382(563)

Automotive	183	222	(39)
Media[(1)]	2,110	6,502	(4,392)
Other	1,702	1,692	10
Total	$ 170,331	$ 187,747	$ (17,416)

[(1)] Media includes related party investments in Gray Television, Inc. and Triple Crown Media, Inc. which had an aggregate carrying value of $306 and an amortized cost basis of $3,198 at March 31, 2009.

During the three month period ended March 31, 2009, net pre-tax unrealized losses recognized in other comprehensive loss increased $5,722 from net pre-tax unrealized losses of $11,694 valued as of December 31, 2008. Of the $5,722 increase, $4,331 was due to the decrease in value of the Company s holdings in financial services entities which continue to be impacted by current macroeconomic conditions. As of March 31, 2009, management does not believe that there are any unrecognized other than temporary impairments in the value of these investments.

The Company s investments in the fixed maturity securities of General Motors (automotive) and General Motors Acceptance Corporation (financial services) exceeded 10% of shareholders equity at March 31, 2009. The following table sets forth the carrying value, amortized cost, and unrealized losses for each of these investments as of March 31, 2009.

	March 31, 2009		
	Carrying Value	Amortized Cost	Unrealized Losses
GMAC bonds	$ 3,811	$ 6,779	$ (2,968)
GMAC and GM redeemable and non-redeemable preferred stocks	613	1,298	(685)
Total	$ 4,424	$ 8,077	$ (3,653)

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Effective January 1, 2008, on a prospective basis, the Company determines the fair values of certain financial instruments based on the fair market hierarchy established in SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements. Fair value is defined as the exchange price at which an asset could be sold or a liability settled in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 provides guidance on measuring fair value when required under existing accounting standards and establishes a hierarchy that prioritizes the inputs to valuation techniques. The first level of such hierarchy determines fair value at the quoted price (unadjusted) in active markets for identical assets (Level 1). The second level determines fair value using valuation methodology including quoted prices for similar assets and liabilities in active markets and other inputs that are observable for the asset or liability, either directly or indirectly for substantially similar terms (Level 2). The third level for determining fair value utilizes inputs to valuation methodology which are unobservable for the asset or liability (Level 3). Such values inherently involve a greater degree of judgment and uncertainty and therefore ultimately greater price volatility. A financial asset s or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The fair values for fixed maturity 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 nationally quoted market prices, when available, or independent broker quotations.

The Company's Level 1 instruments consist of short-term investments.

The Company s Level 2 instruments include most of its fixed maturity securities, which consist of U.S. Treasury securities and U.S. government securities, municipal bonds, and certain corporate fixed maturity securities as well as its common and non-redeemable preferred stocks.

The Company s Level 3 instruments include certain fixed maturity securities and a zero cost rate collar. Fair value is based on criteria that use assumptions or other data that are not readily observable from objective sources. As of March 31, 2009, the Company s fixed maturity securities valued using Level 3 criteria totaled $1,808 and the zero cost rate collar was a liability of $2,004 (See Note 6).

Assets measured at fair value, as of March 31, 2009, on a recurring basis are summarized below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed maturity securities	$ -	$ 164,769	$ 1,808	$ 166,577
Equity securities	-	3,754	-	3,754
Short-term investments	18,725	-	-	18,725
Total	$ 18,725	$ 168,523	$ 1,808	$ 189,056

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Item 2.

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, the Company) for the three month period ended March 31, 2009. This discussion should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere herein, as well as with the consolidated financial statements and notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

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

In December 2007, the Company entered into an agreement for the sale of its regional property and casualty operations, Association Casualty Insurance Company and Association Risk Management General Agency, Inc. (together known as Association Casualty) and Georgia Casualty & Surety Company (Georgia Casualty) to Columbia Mutual Insurance Company. This transaction was completed on March 31, 2008. In accordance with generally accepted accounting principles, the consolidated financial statements included in this quarterly report reflect the operating results of the regional property and casualty operations as discontinued operations. Accordingly, unless otherwise noted, amounts and analyses contained herein reflect the continuing operations of the Company and exclude the regional property and casualty operations. References to income and loss from operations are identified as continuing operations or discontinued operations, while references to net income or net loss reflect the consolidated net results of both continuing and discontinued operations.

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 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 initial 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.

Unpaid loss and loss adjustment expenses comprised 26% of the Company s total liabilities at March 31, 2009. This obligation includes estimates for: 1) unpaid losses on claims reported prior to March 31, 2009, 2) development on those reported claims, 3) unpaid ultimate losses on claims incurred prior to March 31, 2009 but not yet reported and 4) unpaid loss adjustment expenses for reported and unreported claims incurred prior to March 31, 2009. 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 March 31, 2009 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 actuary develops 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 previous 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 March 31, 2009. 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 8% of the Company s total assets at March 31, 2009. 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 given previous calendar year.

Receivables are amounts due from reinsurers, insureds and agents and comprised 7% of the Company s total assets at March 31, 2009. Insured and agent balances are evaluated periodically for collectibility. Annually, the Company performs an analysis of the credit worthiness of the Company s reinsurers using various data sources. Failure of reinsurers to meet their obligations due to insolvencies or disputes 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 when determined on a specific account basis and a general provision for loss is made based on the Company s historical experience.

Cash and investments comprised 79% of the Company s total assets at March 31, 2009. Substantially all 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 maturity securities, that do not have publicly quoted values, with an estimated fair value as determined by management of $1.8 million at March 31, 2009. Such values inherently involve a greater degree of judgment and uncertainty and therefore ultimately greater price volatility. 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 other than a temporary impairment. The evaluation for other than temporary impairments 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. The risks and uncertainties include 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 impairment, the Company considers, among other factors, the intent and ability to hold these securities, the nature of the investment and the prospects for the issuer and its industry, the issuers continued satisfaction of the investment obligations in accordance with their contractual terms, and management s expectation that they will continue to do so, as well as rating actions that affect the issuer s credit status. If other than a 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 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.

Effective January 1, 2008, on a prospective basis, the Company determines the fair values of certain financial instruments based on the fair market hierarchy established in Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements. Fair value is defined as the exchange price at which an asset could be sold or a liability settled in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 provides guidance on measuring fair value when required under existing accounting standards and establishes a hierarchy that prioritizes the inputs to valuation techniques. The first level of such hierarchy determines fair value at the quoted price (unadjusted) in active markets for identical assets (Level 1). The second level determines fair value using valuation methodology including quoted prices for similar assets and liabilities in active markets and other inputs that are observable for the asset or liability, either directly or indirectly for substantially similar terms (Level 2). The third level for determining fair value utilizes inputs to valuation methodology which are unobservable for the asset or liability (Level 3). Such values inherently involve a greater degree of judgment and uncertainty and therefore ultimately greater price volatility. A financial asset s or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The fair values for fixed maturity 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 nationally quoted market prices, when available, or independent broker quotations.

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The Company's Level 1 instruments consist of short-term investments.

The Company s Level 2 instruments include most of its fixed maturity securities, which consist of U.S. Treasury securities and U.S. government securities, municipal bonds, and certain corporate fixed maturity securities as well as its common and non-redeemable preferred stocks.

The Company s Level 3 instruments include certain fixed maturity securities and a zero cost rate collar. Fair value is based on criteria that use assumptions or other data that are not readily observable from objective sources. As of March 31, 2009, the Company s fixed maturity securities valued using Level 3 criteria totaled $1.8 million and the zero cost rate collar was a liability of $2.0 million (See Note 6).

Assets measured at fair value, as of March 31, 2009, on a recurring basis are summarized below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In thousands)			
Fixed maturity securities	$ -	$ 164,769	$ 1,808	$ 166,577
Equity securities	-	3,754	-	3,754
Short-term investments	18,725	-	-	18,725
Total	$ 18,725	$ 168,523	$ 1,808	$ 189,056

Deferred income taxes comprised approximately 5% of the Company s total assets at March 31, 2009. 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 assets 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.

Recently Issued Accounting Standards

For a discussion of recently issued accounting standards applicable to the Company, see Note 2 of the accompanying notes to the consolidated financial statements.

OVERALL CORPORATE RESULTS

On a consolidated basis, the Company had net income of $0.3 million, or $0.01 per diluted share, for the three month period ended March 31, 2009, compared to a net loss of $1.7 million, or $0.10 per diluted share, for the three month period ended March 31, 2008. Income from continuing operations was $0.3 million in the three month period ended March 31, 2009, compared to $0.4 million in the three month period ended March 31, 2008. The net loss in the three month period ended March 31, 2008 was due to the $2.2 million loss from discontinued operations. Premium revenue for the three month period ended March 31, 2009 decreased $0.2 million, or 1.0%, to $22.8 million from $23.0 million in the comparable period of 2008. The decrease in premiums in the three month period ended March 31, 2009 was primarily attributable to continued softening in the property and casualty markets combined with the market competition in the Medicare supplement line of business. Income before tax from continuing operations decreased $0.4 million, or 57.4%, in the three month period ended March 31, 2009, from the comparable period in 2008. The decrease in income before tax from continuing operations was primarily due to several large automobile claims incurred in the Company s property and casualty operations during the three month period ended March 31, 2009. These losses were partially offset by a reduction in the accrual for profit sharing commissions and the related agent contracts.

A more detailed analysis of the individual operating companies and other corporate activities is provided below.

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American Southern

The following is a summary of American Southern s premiums for the three month period ended March 31, 2009 and the comparable period in 2008 (in thousands):

	Three Months Ended March 31,	
	2009	2008
Gross written premiums	$ 8,877	$ 8,788
Ceded premiums	(1,666)	(1,467)
Net written premiums	$ 7,211	$ 7,321
Net earned premiums	$ 8,986	$ 9,266

Gross written premiums at American Southern increased $0.1 million, or 1.0%, during the three month period ended March 31, 2009 over the comparable period in 2008. The increase in gross written premiums during the three month period ended March 31, 2009 was primarily due to an increase in commercial automobile business marketed through a single general agent. Partially offsetting this increase were decreases in gross written premiums in the general liability and surety lines of business due primarily to the weak construction industry.

Ceded premiums increased $0.2 million, or 13.6%, during the three month period ended March 31, 2009 over the comparable period in 2008. The increase in ceded premiums during the three month period ended March 31, 2009 was primarily attributable to higher reinsurance rates resulting from changes in the composition of business. Ceded premiums increased disproportionately due to the higher reinsurance costs associated with the commercial automobile business versus the reinsurance costs in the declining lines of business.

The following presents American Southern s net earned premiums by line of business for the three month period ended March 31, 2009 and the comparable period in 2008 (in thousands):

	Three Months Ended March 31,	
	2009	2008
Commercial automobile	$ 4,691	$ 4,261
General liability	1,658	2,210
Property	615	595
Surety	2,022	2,200
Total	$ 8,986	$ 9,266

Net earned premiums decreased $0.3 million, or 3.0%, during the three month period ended March 31, 2009 from the comparable period in 2008, primarily due to the reasons discussed previously. In addition, gross written premiums are earned ratably over their respective policy terms, and therefore premiums earned in the current year are related to policies written during both the current and prior year.

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The following sets forth American Southern s loss and expense ratios for the three month period ended March 31, 2009 and for the comparable period in 2008:

	Three Months Ended March 31,	
	2009	2008
Loss ratio	48.2%	38.1%
Expense ratio	48.0%	52.8%
Combined ratio	96.2%	90.9%

The loss ratio for the three month period ended March 31, 2009 increased to 48.2% from 38.1% in the comparable period of 2008. The increase in the loss ratio for the three month period ended March 31, 2009 was primarily attributable to several large claims in the commercial automobile line of business. Also, during the three month period ended March 31, 2008, American Southern had favorable loss experience in the property and surety lines of business which did not recur in the three month period ended March 31, 2009.

The expense ratio for the three month period ended March 31, 2009 decreased to 48.0% from 52.8% in the comparable period of 2008. The decrease in the expense ratio in the three month period ended March 31, 2009 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. In periods where the loss ratio decreases, commissions and underwriting expenses will increase and conversely in periods where the loss ratio increases, commissions and underwriting expenses will decrease.

Bankers Fidelity

The following summarizes Bankers Fidelity s earned premiums for the three month period ended March 31, 2009 and the comparable period in 2008 (in thousands):

	Three Months Ended March 31,	
	2009	2008
Medicare supplement	$ 10,324	$ 10,371
Other health	899	865
Life	2,588	2,530
Total	$ 13,811	$ 13,766

Premium revenue at Bankers Fidelity increased slightly during the three month period ended March 31, 2009 over the comparable period in 2008. Premiums from the Medicare supplement line of business decreased 0.5% during the three month period ended March 31, 2009, due primarily to the non-renewal of certain policies that resulted from increased pricing and product competition. Although premium revenues from the Medicare supplement line of business have declined, rate increases implemented in varying amounts by state and plan have partially offset these decreases. Premiums from the life insurance line of business increased $0.1 million, or 2.3%, during the three month period ended March 31, 2009 over the comparable period in 2008, due to an increase in sales related activities. The other health products premiums increased 3.9% during the three month period ended March 31, 2009 over the comparable period in 2008 due primarily to an increase in sales of short-term care products.

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The following summarizes Bankers Fidelity s operating expenses for the three month period ended March 31, 2009 and the comparable period in 2008 (in thousands):

	Three Months Ended March 31,	
	2009	2008
Benefits and losses	$ 10,552	$ 10,385
Commission and other expenses	4,295	4,398
Total expenses	$ 14,847	$ 14,783

Benefits and losses increased $0.2 million, or 1.6%, during the three month period ended March 31, 2009 over the comparable period in 2008. As a percentage of premiums, benefits and losses were 76.4% for the three month period ended March 31, 2009, compared to 75.4% for the three month period ended March 31, 2008. The increase in the loss ratio was primarily due to increased medical costs in the Medicare supplement line of business.

Commissions and other expenses decreased $0.1 million, or 2.3%, during the three month period ended March 31, 2009 from the comparable period in 2008. Bankers Fidelity has been reasonably successful in controlling operating costs. As a percentage of premiums, these expenses were 31.1% for the three month period ended March 31, 2009, compared to 31.9% for the three month period ended March 31, 2008.

INVESTMENT INCOME AND REALIZED GAINS

Investment income increased 1.7% during the three month period ended March 31, 2009 over the comparable period in 2008. The increase in investment income for the three month period ended March 31, 2009 was primarily due to an increased level of invested assets which resulted from the Company investing the proceeds received from the sale of its regional property and casualty operations in the second quarter of 2008. Also contributing to the increase in investment income for the three month period ended March 31, 2009 was a shift from short-term investments to higher yielding fixed maturity securities. Partially offsetting this increase in investment income was a large number of called securities, the proceeds from which the Company was not able to reinvest at equivalent market rates.

The Company had net realized investment gains of $13,000 during the three month period ended March 31, 2009, compared to net realized investment gains of $24,000 in the three month period ended March 31, 2008. Management continually evaluates the Company s investment portfolio and, as needed, makes adjustments for impairments and/or will divest investments. (See Item 3 of the accompanying consolidated financial statements for a discussion of market risks).

INTEREST EXPENSE

Interest expense decreased $0.2 million, or 22.2%, during the three month period ended March 31, 2009 from the comparable period in 2008. The decrease in interest expense for the three month period ended March 31, 2009 was due to a decrease in the London Interbank Offered Rate (LIBOR), as the interest rates on the Company s trust preferred obligations and outstanding bank debt are based on LIBOR. In addition, on April 1, 2008, the Company repaid the outstanding balance of $3.8 million under the Company s credit agreement (the Credit Agreement) with Wachovia Bank, National Association (Wachovia), which decreased interest expense by reducing the Company s average debt level for the three month period ended March 31, 2009 as compared to the same period in 2008.

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OTHER EXPENSES

Other expenses (commissions, underwriting expenses, and other expenses) decreased $0.6 million, or 6.1%, during the three month period ended March 31, 2009 from the comparable period in 2008. The decrease in other expenses for the three month period ended March 31, 2009 was primarily attributable to the reduction in profit sharing commissions at American Southern. During the three month period ended March 31, 2009, profit sharing commissions at American Southern decreased $0.5 million from the three month period ended March 31, 2008 due primarily to higher loss ratios. The majority of American Southern s business is structured in a way that agents are rewarded or penalized based upon the loss ratios of the business they submit to the company. In periods where the loss ratio increases, commissions and underwriting expenses will decrease and conversely in periods where the loss ratio decreases, commissions and underwriting expenses will increase. Also contributing to the decrease in other expenses was a $0.3 million goodwill impairment charge taken in the three month period ended March 31, 2008 which did not recur in the three month period ended March 31, 2009. On a consolidated basis, as a percentage of earned premiums, other expenses decreased to 42.6% in the three month period ended March 31, 2009 from 44.9% in the three month period ended March 31, 2008. The decrease in the expense ratio for the three month period ended March 31, 2009 was primarily due to the reduction in profit sharing commissions and the goodwill impairment charge discussed previously.

INCOME TAXES

The primary differences between the effective tax rate and the federal statutory income tax rate for the three month period ended March 31, 2009 resulted from the dividends-received deduction (DRD). The primary differences between the effective tax rate and the federal statutory income tax rate for the three month period ended March 31, 2008 resulted from the DRD and a non-deductible goodwill impairment charge. The current estimated DRD is adjusted as underlying factors change. The actual current year DRD can vary from the estimates based on, but not limited to, amounts of distributions from these investments as well as appropriate levels of taxable income.

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 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 from its subsidiaries. The cash needs of the Parent are primarily for the payment of operating expenses, the acquisition of capital assets and debt service requirements. At March 31, 2009, the Parent had approximately $18.8 million of cash and short-term investments. The Company believes that given traditional funding sources of the Parent combined with current cash and short-term investments, the current liquidity issues being faced by certain other companies as a result of the current economic conditions and funding constraints should not be an issue for the Company and/or the Parent for the foreseeable future.

The Parent s insurance subsidiaries reported statutory net income of $1.9 million for the three month period ended March 31, 2009 compared to statutory net income of $2.5 million for the three month period ended March 31, 2008. Statutory results are impacted by the recognition of all costs of acquiring business. In a scenario in which the Company is growing, statutory results are generally lower than results determined under generally accepted accounting principles (GAAP). The Parent s insurance subsidiaries reported GAAP net income of $1.8 million for the three month period ended March 31, 2009, compared to $2.0 million for the three month period ended March 31, 2008. The reasons for the decrease in GAAP net income in the three month period ended March 31, 2009 are discussed above under Results of Operations. Statutory results for the Company s property and casualty operations differ from the Company s results of operations under GAAP due to the deferral of acquisition costs for financial reporting purposes. The Company s life and health operations statutory results differ from GAAP results primarily due to the deferral of acquisition costs for financial reporting purposes, as well as the use of different reserving methods.

Over 90% of the investment assets of the Parent s insurance subsidiaries are in marketable securities that can be converted into cash, if required; however, the use of such assets by the Company is limited by state insurance regulations. Dividend payments to the Parent by its wholly owned insurance subsidiaries are subject to annual limitations and are restricted to the greater of 10% of statutory surplus or statutory earnings before recognizing realized investment gains of the individual insurance subsidiaries. At March 31, 2009, American Southern had $34.8 million of statutory surplus and Bankers Fidelity had $28.5 million of statutory surplus.

The Parent provides certain administrative and other services to each of its insurance subsidiaries. The amounts charged to and paid by the subsidiaries include reimbursements for various shared services and other expenses incurred directly on behalf of the subsidiaries by the Parent. In addition, there is in place a formal tax-sharing agreement between the Parent and its insurance subsidiaries. It is anticipated that this agreement will provide the Parent with additional funds from profitable subsidiaries due to the subsidiaries use of the Parent s tax loss carryforwards, which totaled approximately $6.6 million at March 31, 2009.

In addition to these internal funding sources, the Company maintains its revolving credit facility under the Credit Agreement pursuant to which the Company was able to, subject to the terms and conditions thereof, initially borrow or reborrow up to $15.0 million (the Commitment Amount). In accordance with the terms of the Credit Agreement, the Commitment Amount is incrementally reduced every six months and was equal to $13.0 million at March 31, 2009. The interest rate on amounts outstanding under the Credit Agreement is, at the option of the Company, equivalent to either (a) the base rate (which equals the higher of the Prime Rate or 0.5% above the Federal Funds Rate, each as defined) or (b) the LIBOR determined on an interest period of 1-month, 2-months, 3-months or 6-months, plus an Applicable Margin (as defined). The Applicable Margin varies based upon the Company s leverage ratio (funded debt to total capitalization, each as defined) and ranges from 1.75% to 2.50%. Interest on amounts outstanding is payable quarterly. The Credit Agreement requires the Company to comply with certain covenants, including, among others, ratios that relate funded debt to both total capitalization and earnings before interest, taxes, depreciation and amortization, as well as the maintenance of minimum levels of tangible net worth. The Company must also comply with limitations on capital expenditures, certain payments, additional debt obligations, equity repurchases and certain redemptions, as well as minimum risk-based capital levels. Upon the occurrence of an event of default, Wachovia may terminate the Credit Agreement and declare all amounts outstanding due and payable in full. During the three month period ended March 31, 2009, there was no balance outstanding under this Credit Agreement.

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 $41.2 million of Junior Subordinated Debentures have a maturity of thirty years from their original dates of issuance, are callable, in whole or in part, only at the option of the Company five years after their respective dates of issue and quarterly thereafter, and have an interest rate of three-month LIBOR plus an applicable margin. The margin ranges from 4.00% to 4.10%. At March 31, 2009, the effective interest rate was 5.30%. 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.

During 2006, the Company entered into a zero cost rate collar with Wachovia to hedge future interest payments on a portion of the Junior Subordinated Debentures. The notional amount of the collar was $18.0 million with an effective date of March 6, 2006. The collar has a LIBOR floor rate of 4.77% and a LIBOR cap rate of 5.85% and adjusts quarterly on the 4th of each March, June, September and December through termination on March 4, 2013. The Company began making payments to Wachovia under the zero cost rate collar on June 4, 2008. As a result of interest rates remaining below the LIBOR floor rate of 4.77%, these payments to Wachovia under the zero cost rate collar continued throughout 2008 and into 2009. While the Company is exposed to counterparty risk should Wachovia fail to perform, the current level of interest rates, coupled with the current macroeconomic outlook, would indicate that the Company s current exposure is minimal.

The Company intends to pay its obligations under the Credit Agreement, if any, and the Junior Subordinated Debentures using dividend and tax sharing payments from its operating subsidiaries, or from potential future financing arrangements. In addition, the Company believes that, if necessary, at maturity, the Credit Agreement could be refinanced, although there can be no assurance of the terms or conditions of such a refinancing, or its availability.

At March 31, 2009, the Company had 70,000 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 Chairman Emeritus. 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 1,754,000 shares of the Company s common stock, subject to certain adjustments and provided that such adjustments do not result in the Company issuing more than approximately 2,703,000 shares of common stock without obtaining prior shareholder approval; and are redeemable solely at the Company s option. The Series D Preferred Stock is not currently convertible. At March 31, 2009, the Company had accrued, but unpaid, dividends on the Series D Preferred Stock totaling $0.1 million.

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Net cash used in operating activities was $6.1 million in the three month period ended March 31, 2009, compared to $7.7 million in the three month period ended March 31, 2008. Cash and short-term investments decreased from $37.3 million at December 31, 2008 to $23.9 million at March 31, 2009. The decrease in cash and short-term investments during the three month period ended March 31, 2009 was primarily due to an increased level of investing exceeding normal sales and maturities. Also contributing to the decrease in cash and short-term investments during the three month period ended March 31, 2009 was a final settlement of $1.8 million with Columbia Mutual Insurance Company relating to a valuation matter with respect to certain loss reserves in connection with the 2008 sale of the Company s regional property and casualty operations.

The Company believes that 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.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Due to the nature of the Company s business it is exposed to both interest rate and market risk. Changes in interest rates, which have historically represented the largest market risk factor affecting the Company, may result in changes in the fair market value of the Company s investments, cash flows and interest income and expense. The Company is also subject to risk from changes in equity prices. During the three month period ended March 31, 2009, the Company s investments in fixed maturities, non-redeemable preferred stocks and common stocks decreased as a result of numerous macroeconomic factors which impacted significantly all of the United States financial markets. In addition, as of March 31, 2009, the carrying value of the Company s investments in the fixed maturity securities of General Motors and General Motors Acceptance Corporation decreased from the value as of December 31, 2008 primarily as a result of changes in the credit risk of the issuers as well as the overall liquidity and credit uncertainties in the financial markets. The carrying amount of these fixed maturity investments at March 31, 2009 was $4.4 million with an adjusted cost basis of $8.1 million.

Item 4T. Controls and Procedures

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

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

FORWARD-LOOKING STATEMENTS

This report contains and references certain information that constitutes forward-looking statements as that term is defined in the federal securities laws. Those statements, to the extent they are not historical facts, should be considered forward-looking statements, and are subject to various risks and uncertainties. Such forward-looking statements are made based upon management s current assessments of various risks and uncertainties, as well as assumptions made in accordance with the safe harbor provisions of the federal securities laws. The Company s actual results could differ materially from the results anticipated in these forward-looking statements as a result of such risks and uncertainties, including those identified in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and the other filings made by the Company from time to time with the Securities and Exchange Commission.

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PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On May 2, 1995, the Board of Directors of the Company approved an initial plan that allowed for the repurchase of shares of the Company s common stock (the Repurchase Plan). As amended since its original adoption, the Repurchase Plan currently allows for repurchases of up to an aggregate of 2.0 million shares of the Company s common stock on the open market or in privately negotiated transactions, as determined by an authorized officer of the Company. Such purchases can be made from time to time in accordance with applicable securities laws and other requirements.

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 below.

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 March 31, 2009.

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
January 1 - January 31, 2009	5,913	$ .91	5,913	506,468
February 1 - February 28, 2009	1,829	.84	1,829	504,639
March 1 - March 31, 2009	750	.69	750	503,889
Total	8,492	$ .88	8,492	

Item 6. Exhibits

10.1 First Amendment to Stock Purchase Agreement, dated as of March 17, 2009, between Atlantic American Corporation and Columbia Mutual Insurance Company [incorporated by reference to Exhibit 10.11 to the registrant s annual report on Form 10-K for the year ended December 31, 2008].

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.

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SIGNATURE

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

ATLANTIC AMERICAN CORPORATION
(Registrant)

Date: May 14, 2009

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

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EXHIBIT INDEX

Exhibit Number	Title
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.