

ATLANTIC AMERICAN CORP
Form 11-K
June 24, 2015

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

FORM 11-K

(Mark one)

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

For the fiscal year ended December 31, 2014

OR

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

Commission File Number: 0-3722

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Atlantic American Corporation
401(k) Retirement Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Atlantic American Corporation
4370 Peachtree Rd., N.E.
Atlanta, Georgia 30319

TABLE OF CONTENTS

SIGNATURES

Financial Statements and Schedule

Consent of BDO USA, LLP

SIGNATURES

THE PLAN. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Atlantic American Corporation
401(k) Retirement Savings Plan
(Name of Plan)

June 24, 2015 /s/ John G. Sample, Jr.
John G. Sample, Jr.
Senior Vice President, CFO and Secretary
Atlantic American Corporation

ATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

The following exhibits are filed herewith:

- Exhibit 1: Financial Statements and Supplemental Schedule
As of December 31, 2014 and 2013 and for the year ended December 31, 2014 together with Report of
Independent Registered Public Accounting Firm
- Exhibit 2: Consent of BDO USA, LLP
Independent Registered Public Accounting Firm
-

Exhibit 1

ATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULE

As of December 31, 2014 and 2013 and For The Year Ended December 31, 2014

with
Report of Independent Registered Public Accounting Firm

ATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

TABLE OF CONTENTS

December 31, 2014 and 2013

<u>Report of Independent Registered Public Accounting Firm</u>	1
<u>Statements of Net Assets Available for Benefits</u>	2
<u>Statement of Changes in Net Assets Available for Benefits</u>	3
<u>Notes to Financial Statements</u>	4
Supplemental Schedule:	
<u>Schedule H, Line 4i - Schedule of Assets (Held at End of Year)</u>	18

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Plan Administrator

Atlantic American Corporation 401(k) Retirement Savings Plan

Atlanta, Georgia

We have audited the accompanying statements of net assets available for benefits of the Atlantic American Corporation 401(k) Retirement Savings Plan (the "Plan") as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements 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 Plan 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 Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2014 and 2013, and the changes in net assets available for benefits for the year ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplemental Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2014 has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental schedule reconciles to the financial statements or the underlying accounting and other records as applicable and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA, LLP
Atlanta, Georgia
June 23, 2015

Table of Contents

ATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2014 and 2013

	2014	2013
Assets:		
Cash	\$2	\$-
Investments, at fair value (Note 3):		
Common/collective trusts	2,611,713	2,340,892
Employer stock fund	1,560,514	1,577,732
Registered investment companies	13,592,016	12,027,504
Total investments	17,764,243	15,946,128
Receivables:		
Notes receivable from participants	130,522	192,862
NET ASSETS AVAILABLE FOR BENEFITS	\$17,894,767	\$16,138,990

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

Table of Contents

ATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the Year Ended December 31, 2014

Additions to Net Assets	
Contributions:	
Participants	\$743,323
Company	577,097
Rollovers	238,968
 TOTAL CONTRIBUTIONS	 1,559,388
 Interest and dividend income	 198,866
 Net appreciation in fair market value of investments (Note 3)	 757,709
 TOTAL ADDITIONS TO NET ASSETS	 2,515,963
 Deductions from Net Assets	
Benefit payments to participants	715,643
Fees	44,543
 TOTAL DEDUCTIONS	 760,186
 Net Increase	 1,755,777
 Net Assets Available for Benefits at Beginning of Year	 16,138,990
 Net Assets Available for Benefits at End of Year	 \$17,894,767

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

Table of Contents

ATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 1—DESCRIPTION OF THE PLAN

The following description of the Atlantic American Corporation 401(k) Retirement Savings Plan (the “Plan”) provides only general information. Participating members (“Participants”) should refer to the Plan document for a more complete description of the Plan’s provisions. Information with regard to eligibility, contributions, distributions, vesting, withdrawals, restoration, loans, fund redistribution, and definitions of all terms are contained in that document. The Administrative Committee, consisting of employees of the plan sponsor, is responsible for oversight of the Plan.

General: The Plan is a defined contribution plan available to all U.S. employees of Atlantic American Corporation and its subsidiaries (collectively, the “Company”) except collective bargaining employees, nonresident aliens, and leased employees. Employees eligible to participate are automatically enrolled effective on the date of employment. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended.

Participating Companies: As of December 31, 2014, the Company owned four insurance subsidiaries, Bankers Fidelity Life Insurance Company and its wholly owned subsidiary, Bankers Fidelity Assurance Company, American Southern Insurance Company and its wholly owned subsidiary, American Safety Insurance Company, in addition to one non-insurance company, xCalibre Risk Services, Inc. All of these subsidiaries were eligible to participate in the Plan.

Plan Administration: Wells Fargo Bank, N.A. (the “Trustee”) is the Trustee of the Plan and has custodial responsibility for the Plan’s assets, including the authority and power to, among other things, invest the principal and income of the Plan’s assets.

Contributions: Eligible employees automatically become a participant and are enrolled into the Plan at a 4% deferral rate on their date of hire. At any time, a participant may cease his or her contribution or change his or her deferral percentage in 1% increments up to 50% of his or her annual compensation, as defined by the Plan, subject to certain limitations under the Internal Revenue Code (the “Code”), and elect to contribute into any of the investment funds offered by the Plan. Participant pre-tax limitations were limited to \$17,500 for 2014 and \$17,500 for 2013.

Participants may also contribute amounts representing distributions from other qualified benefit plans. These contributions, if any, are classified as rollover contributions in the statement of changes in net assets available for benefits. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions to the Plan. The maximum individual catch-up contribution amount was \$5,500 for both 2014 and 2013.

Table of Contents

ATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

On January 1, 2009, the Company adopted safe harbor plan provisions such that the Plan would operate on a safe harbor basis. Safe harbor contributions are fully vested immediately. The Company provides a matching contribution equal to a certain percentage of each participant's contributions. The Company may also make profit-sharing contributions, at its discretion, which will be allocated among all eligible participants in the Plan whether they make contributions or not. For the years ended December 31, 2014 and 2013, the Company's matching contribution equaled 50% of up to the first 4% of a participant's pre-tax contribution. In addition to the matching contribution, in 2014 and 2013 the Company also made a total profit sharing contribution of \$391,136 and \$369,605, respectively, which included a safe harbor non-elective contribution to all employees of 3% of compensation. All employer matching contributions are made in cash.

Vesting: Participants are always 100% vested in their own contributions including catch-up contributions, after-tax voluntary contributions, rollover contributions, safe harbor matching contributions and any discretionary profit sharing contributions. Further, all contributions are participant-directed.

Participants "vested percentage" attributable to certain employer contributions is based on years of continuous service determined under the following schedule.

Years of service:		
Less than one	0	%
One	20	%
Two	40	%
Three	60	%
Four	80	%
Five	100	%

In addition, participants become fully vested upon retirement, death, or disability.

Benefits: Upon termination of service due to death, disability, retirement, or separation from service, a participant or his or her beneficiary with a vested balance greater than \$5,000 may elect to receive an amount equal to the value of the participant's vested interest in his or her account or they may remain in the Plan but contributions cease. The form of payment, selected by the participant or his or her beneficiary, is either a lump-sum distribution or a direct rollover into a qualified retirement plan or individual retirement account. A vested balance less than \$5,000 is automatically distributed to the terminated participant or his or her beneficiary in the quarterly period following termination, unless otherwise directed.

Table of Contents

ATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

Participant Accounts: Individual accounts are maintained for each of the Plan's participants and reflect the participant's contributions, employer contributions, and the participant's share of the Plan's investment income (loss). Allocations of income (loss) are based on the proportion that each participant's account balance bears to the total of all participant account balances and their investment elections.

Investment Options: Participants may direct their contributions and any related earnings into several investment options in 1% increments. Participants may change their investment elections at any time, subject to certain fund restrictions. As of December 31, 2014, participants in the Plan may invest in any of the following investment options:

Allianz NFJ Dividend Value Fund – seeks long-term growth of capital and income. The fund normally invests at least 80% of its net assets (plus borrowings made for investment purposes) in common stocks and other equity securities of companies that pay or are expected to pay dividends. It invests primarily in common stocks of companies with market capitalizations greater than \$3.5 billion.

Atlantic American Corporation Common Stock Fund – allows employees to directly participate in the future success of the company through stock ownership.

Baron Growth Fund – seeks capital appreciation. The fund invests for the long term primarily in equity securities in the form of common stock of small-sized growth companies with market capitalizations of under \$2.5 billion at the time of purchase selected for their capital appreciation potential. It purchases securities in businesses the advisor believes could double in value in four or five years, and then hopefully, double again in the next four to five years.

Columbia Acorn International Z - seeks long-term capital appreciation. Under normal circumstances, the fund invests at least 75% of its total assets in foreign companies in developed markets (for example, Japan, Canada and the United Kingdom) and in emerging markets (for example, China, India and Brazil). It normally invests a majority of its net assets in the common stock of small- and mid-sized companies with market capitalizations under \$5 billion at the time of investment.

Columbia Small Cap Value Fund II Z – seeks long-term capital appreciation. The fund normally invests at least 80% of net assets in equity securities of companies that have market capitalizations in the range of the companies in the Russell 2000 Value Index that are believed to be undervalued and have the potential for long-term growth of capital. It may invest up to 20% of total assets in foreign securities including depository receipts. The fund normally invests in common stock and also may invest in REITs.

Table of Contents

ATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

DFA International Value Fund – seeks long-term capital appreciation. The fund is a feeder portfolio and pursues its objectives by investing substantially all of its assets in its corresponding Master fund, The DFA International Value Series of The DFA Investment Trust Company. The DFA International Value Series, intends to purchase stocks of large companies associated with developed market countries that the advisor has designated as approved markets.

Fidelity Puritan Fund – seeks income and capital growth consistent with reasonable risk. The fund invests 60% of assets in stocks and other equity securities and the remainder in bonds and other debt securities, including lower-quality debt securities when its outlook is neutral. It invests at least 25% of total assets in fixed-income senior securities (including debt securities and preferred stock). The fund also invests in domestic and foreign issuers.

Harbor International Institutional - seeks long-term total return, principally from growth of capital. The fund invests normally in a minimum of ten countries throughout the world, focusing on companies located in Europe, the Pacific Basin and emerging industrialized countries whose economies and political regimes appear stable. It invests primarily (no less than 65% of its total assets) in common and preferred stocks of foreign companies, including those located in emerging market countries. Companies in the fund's portfolio generally have market capitalizations in excess of \$1 billion at the time of purchase.

Loomis Sayles Bond - seeks high total investment return through a combination of current income and capital appreciation. The fund normally invests at least 80% of its net assets in fixed-income securities. It will invest primarily in investment-grade fixed-income securities, although it may also invest up to 35% of its assets in below investment-grade fixed-income securities and up to 20% of its assets in equity securities, such as common stocks and preferred stocks (with up to 10% of its assets in common stocks).

Oppenheimer Global Opportunities Fund – seeks capital appreciation, consistent with preservation of principal, while providing current income. The fund primarily invests in equity securities of issuers in the U.S. and foreign countries but may invest in debt securities with up to 25% of assets in “lower-grade” securities commonly known as “junk bonds”. The fund typically invests in a number of different countries and can invest in any country, including countries with developing or emerging markets. It invests a substantial portion of its assets in small and mid-sized companies.

Parametric Emerging Markets Instl - seeks long-term capital appreciation. The fund normally invests at least 80% of its net assets in equity securities of companies located in emerging market countries. It intends to invest primarily in securities of companies located in countries included in the MSCI Emerging Markets Index or the MSCI Frontier Markets Index. The fund may also invest in convertible instruments, which will generally not be rated, but typically are equivalent in credit quality to securities rated below investment grade.

Table of Contents

ATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

PIMCO Total Return Fund – seeks maximum total return. The fund normally invests at least 65% of total assets in a diversified portfolio of fixed income instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. It may invest all assets in derivative instruments, such as options, futures contracts or swap agreements, or in mortgage or asset-backed securities. The fund also invests up to 10% of total assets in preferred stocks.

T. Rowe Price Blue Chip Growth Fund – seeks long-term growth of capital; income is secondary. The fund will normally invest at least 80% of assets in the common stocks of large and medium-sized blue chip growth companies. It focuses on companies with leading market position, seasoned management and strong financial fundamentals. The fund may sell securities for a variety of reasons to secure gains, limit losses or redeploy assets into more promising opportunities.

T. Rowe Price Equity Income - seeks a high level of dividend income and long-term capital growth primarily through investments in stocks. The fund will normally invest at least 80% of its net assets (including any borrowings for investment purposes) in common stocks, with an emphasis on large-capitalization stocks that have a strong track record of paying dividends or that are believed to be undervalued. It generally seeks investments in large-capitalization companies and the fund's yield, which reflects the level of dividends paid by the fund, is expected to normally exceed the yield of the S&P 500 Stock Index.

T. Rowe Price Retirement Strategy Funds – seeks the highest total return over time consistent with an emphasis on both capital growth and income. The funds invest in a set of underlying T. Rowe Price mutual funds representing a variety of asset classes and investment styles. Each fund's asset mix becomes more conservative – both prior to and after the respective stated target date – as time elapses. Once a fund reaches its most conservative planned allocation, approximately 30 years after its stated target retirement date, its allocation to stocks will remain fixed at approximately 20% of assets. The remainder will be invested in 60% fixed income securities and 20% short-term securities.

Vanguard Mid Cap Index Fund – seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Mid Cap Index, a broadly diversified index of the stocks of medium-size U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Table of Contents

ATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

Vanguard Small Cap Index Fund – seeks to track the performance of a benchmark index that measures the investment return of small capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Small Cap 1750 Index, a broadly diversified index of the stocks of smaller U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Vanguard Total Bond Market Index Fund - seeks to track the performance of a broad, market-weighted bond index. The fund employs an indexing approach designed to track performance of the Barclays US Aggregate Float Adjusted Index. This index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States – including government, corporate and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities – all with maturities of more than one year. All of the fund's investments will be selected through the sampling process and at least 80% of the fund's assets will be invested in bonds held in the index.

Wells Fargo Enhanced Stock Market Fund G – seeks long term capital growth by owning a diversified portfolio of established companies which produce superior and sustainable earnings growth. The Fund invests principally in equity securities of large U.S. companies, which are defined as companies with market capitalizations within the range of the S&P 500 Index. The Trustee implements a systematic active management approach built upon a quantitatively oriented fundamental methodology. The Fund is S&P 500 Index centric investing in a wide range of sectors and industries. Under normal circumstances, management intends to keep the Fund's assets fully invested in common stocks.

Wells Fargo Stable Return Fund N – seeks long term capital growth by owning a diversified portfolio of established companies which produce superior and sustainable earnings growth. The Fund achieves its investment objective of principal preservation through ownership of a broadly diversified portfolio of high quality assets, instruments with limited principal fluctuation, such as money market instruments and guaranteed investment contracts (GICs) or their alternatives, are heavily emphasized. Reinvestment risk is minimized through the employment of a laddered maturity structure. The Fund enhances return through the application of disciplined fixed income management techniques combined with fundamental economic, credit and market analysis.

Subsequent to year end, the PIMCO Total Return Fund was replaced as an investment alternative with the Metropolitan West Total Return Bond I.

Table of Contents

ATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

Forfeitures: Amounts forfeited from non-vested accounts, if any, are generally used to pay for Plan expenses or reduce future employer contributions. Forfeitures of \$9,302 were used to offset administrative expenses charged to the Plan in 2014. At December 31, 2014 and 2013, there were \$6 and \$9,068, respectively, of forfeiture funds available to be used in the future.

Notes Receivable from Participants: Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Participants may elect to have their loans disbursed from specific investment funds. Loan terms range from six months to five years or within a reasonable time if used for the purchase of a primary residence. The loans are secured by the vested value of the participants' account balances and bear interest at the prime rate of interest on the date of the loan plus 1%. Principal and interest are paid ratably through payroll deductions.

Specified Hardship Withdrawals: Upon written application to the Trustee by a participant for a specified hardship withdrawal, the participant may withdraw from his or her fund accounts. Such withdrawal may be made only upon the express determination that it is necessary to prevent a severe financial hardship to such participant and specific to the following events: expenses for medical care; costs directly related to the purchase of a principal residence; payment of tuition and related educational fees; and to prevent eviction from a principal residence or foreclosure on the mortgage of a principle residence. A participant who has made a specified hardship withdrawal may include any amounts necessary to pay federal, state or local income taxes or penalties reasonably anticipated to result from the distribution; shall make no more than one withdrawal during any calendar quarter; and shall incur a mandatory suspension of all contributions for six months after such withdrawal.

Administrative Expenses: The Company pays certain administrative expenses of the Plan. Trustee and recordkeeping fees are shared between the Company and the Plan. Each participant account is charged a \$50 quarterly trustee and recordkeeping fee while the Company also pays a standard annual fee for trustee and recordkeeping. Fees resulting from individual participant transactions, such as loan origination and benefit payments, or certain investment elections, are paid by the participant and are included in the fee amount on the statement of changes in net assets available for benefits.

NOTE 2—ACCOUNTING POLICIES

Basis of Accounting and Use of Estimates: The financial statements of the Plan are prepared under the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the financial statements and accompanying notes. Actual results could differ from those estimates.

Table of Contents

ATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts provided that those net assets available for benefits are established under a trust whereby the trust itself is adopted as part of one or more qualified employer-sponsored defined contribution plans. The Plan invests in investment contracts through collective trusts. The contract value of these investments is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The fair value of the collective trusts approximates contract value as of December 31, 2014 and 2013.

Notes Receivable from Participants: Participant loans are classified as notes receivable from participants measured at the unpaid principal balance plus unpaid accrued interest. The Plan classifies all notes receivable from participants with no payments received for six (6) months as “in default”. Defaulted notes receivable from participants are deemed distributed and recorded as benefits paid to the participants in the statement of changes in net assets available for benefits.

Investment Valuation and Income Recognition: The Plan's investments are reported at estimated fair value. Where available, quoted market prices are used to value investments. Shares of registered investment companies are valued at the net asset value of shares held by the Plan at year-end. The Plan's interest in the common/collective trusts is valued at the net asset value based on information reported by the investment advisor/trustee using the audited financial statements. The net asset value, as provided by the investment advisor/trustee, is used as a practical expedient to estimate fair value, and is based on the estimated fair value of the underlying investments held by the fund less the estimated fair value of its liabilities. The common/collective trusts do not have a finite life, unfunded commitments or significant restriction on redemptions and participant transactions may occur daily.

Purchases and sales of securities are recorded on a trade date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on an accrual basis.

Investment securities, in general, are exposed to various risks, including interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Table of Contents

ATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

The following describes the fair value hierarchy and provides information as to the extent to which the Plan uses fair value to measure 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 Plan has the ability to access at the measurement date. The Plan did not classify any of its assets as Level 1 instruments.

Level 2 Observable inputs, other than quoted prices included in Level 1, for the asset or liability or prices for similar assets or liabilities. The Plan assets identified as Level 2 instruments include certain common/collective trusts, employer securities and registered investment companies.

Level 3 Valuations that are derived from techniques in which one or more of the significant inputs are unobservable (including assumptions about risk). The Plan assets identified as Level 3 instruments include stable value funds. Fair value is based on criteria that use assumptions or other data that are not readily observable from objective sources and provided primarily from the sponsors of the underlying funds. As of December 31, 2014 and 2013, the Plan's stable value funds valued using Level 3 criteria totaled \$1,884,774 and \$1,737,110, respectively. The use of different criteria or assumptions regarding data may have yielded different valuations.

Table of ContentsATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

As of December 31, 2014, assets carried at fair value were measured on a recurring basis as summarized below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common/collective trusts				
*Stable value funds	\$ -	\$-	\$ 1,884,774	\$1,884,774
Other	-	726,938	-	726,938
Subtotal	-	726,938	1,884,774	2,611,712
Employer securities	-	1,560,514	-	1,560,514
Registered investment companies:				
Growth funds	-	3,443,620	-	3,443,620
Value funds	-	1,745,757	-	1,745,757
Balanced funds	-	1,820,114	-	1,820,114
Target date funds	-	2,973,003	-	2,973,003
International funds	-	244,011	-	244,011
Index funds	-	1,922,957	-	1,922,957
Fixed income funds	-	1,163,313	-	1,163,313
Other funds	-	279,242	-	279,242
Subtotal	-	13,592,017	-	13,592,017
Total	\$ -	\$15,879,469	\$ 1,884,774	\$17,764,243

Table of ContentsATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common/collective trusts				
*Stable value funds	\$ -	\$-	\$ 1,737,110	\$ 1,737,110
Other	-	603,782	-	603,782
Subtotal	-	603,782	1,737,110	2,340,892
Employer securities	-	1,577,732	-	1,577,732
Registered investment companies:				
Growth funds	-	3,458,383	-	3,458,383
Value funds	-	1,413,043	-	1,413,043
Balanced funds	-	1,433,190	-	1,433,190
Target date funds	-	2,713,203	-	2,713,203
International funds	-	204,491	-	204,491
Index funds	-	1,404,428	-	1,404,428
Fixed income funds	-	1,166,533	-	1,166,533
Other funds	-	234,233	-	234,233
Subtotal	-	12,027,504	-	12,027,504
Total	\$ -	\$ 14,209,018	\$ 1,737,110	\$ 15,946,128

*The Wells Fargo Stable Return Fund invests in guaranteed investment contracts and has certain withdrawal restrictions for liquidity reasons. The provisions of the trust provide that withdrawals for other than normal benefit payments and participant directed transfers may require up to twelve months advance notice.

At December 31, 2014, the Plan had no unfunded commitments related to the common/collective trusts.

Table of ContentsATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

Plan management periodically evaluates the significance of transfers between levels, if any, based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the year ended December 31, 2014, there were no transfers between levels 1, 2, or 3.

The following is a roll-forward of the financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the two years ended December 31, 2014.

	Stable Value Fund
Balance, January 1, 2013	\$945,810
Contributions	949,844
Withdrawals	(180,559)
Appreciation in fair value	22,015
Balance, December 31, 2013	1,737,110
Contributions	421,027
Withdrawals	(299,069)
Appreciation in fair value	25,706
Balance, December 31, 2014	\$1,884,774

The Plan assets identified as Level 3 instruments are comprised solely of stable value funds. They are not actively traded and valuation techniques used to measure their fair value are primarily based on data provided from the sponsors of the underlying stable value funds.

Net Appreciation (Depreciation): Net realized gains (losses) and unrealized appreciation (depreciation) are recorded in the accompanying statement of changes in net assets available for benefits as net appreciation (depreciation) in fair market value of investments.

Payment of Benefits: Distributions to participants are recorded when payment is made.

Recent Accounting Pronouncements: In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-07, Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent) (ASU 2015-07). ASU 2015-07 seeks to eliminate diversity in practice surrounding how investments measured at net asset value under the practical expedient with future redemption dates have been categorized in the fair value hierarchy. It is effective for annual reporting periods beginning after December 15, 2015. Management is currently evaluating implications of ASU 2015-07.

Table of ContentsATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 3—INVESTMENTS

The estimated fair values of individual investments that represent 5% or more of the Plan's net assets as of December 31, 2014 and 2013 are as follows:

	2014	2013
Allianz NFJ Dividend Value Ins. Fund	\$ 1,120,123	\$ 983,382
Atlantic American Corporation Common Stock Fund	1,560,514	1,577,732
Baron Growth Fund	1,460,492	1,552,016
Fidelity Puritan Fund	1,820,114	1,433,190
PIMCO Total Return II (I) Fund	926,168	1,039,238
T. Rowe Price Blue Chip Growth Fund	1,861,202	1,824,921
Vanguard Mid Cap Index	*	749,233
Wells Fargo Stable Return Fund N	1,884,774	1,737,110

*Does not represent 5% or more of the Plan's net assets in the respective year.

Net appreciation in fair market value of investments by major investment type for the year ended December 31, 2014 is as follows:

Employer securities - Common stock	\$(7,330)
Registered investment companies	643,864
Common/collective trusts	121,175
	\$ 757,709

NOTE 4—TAX STATUS

The Plan uses a Volume Submitter Plan sponsored by the Trustee. The Trustee received an opinion letter from the Internal Revenue Service ("IRS"), dated March 26, 2010, which states that the Volume Submitter Plan satisfies the applicable provisions of the Code. The Plan itself has not received a determination letter from the IRS. However, the Plan's management believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. Therefore, no provision for income tax has been included in the Plan's financial statements.

Table of Contents

ATLANTIC AMERICAN CORPORATION
401(k) RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

GAAP requires plan management to evaluate tax positions taken by the plan and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of the liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions and the Plan could be subject to income tax if certain issues were found by the IRS that could result in the disqualification of the Plan's tax-exempt status; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2011.

NOTE 5—PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become fully vested in their accounts as of the termination date.

NOTE 6—PARTY-IN-INTEREST TRANSACTIONS

The Plan held 371,463 shares and 378,447 shares of Atlantic American Corporation (the Plan Sponsor) common stock as of December 31, 2014 and 2013, respectively in the Atlantic American Corporation Common Stock Fund. The fund invests in Atlantic American Corporation common stock and money market funds and had an estimated fair value of \$1,560,514 and \$1,577,732, at December 31, 2014 and 2013, respectively.

Certain investments totaling \$2,611,712, held by the Plan at December 31, 2014, are managed by the Trustee and /or its affiliates. These investments, as well as notes receivable from participants, qualify as party-in-interest transactions.

Table of Contents

ATLANTIC AMERICAN CORPORATION
 401(k) RETIREMENT SAVINGS PLAN
 PLAN NUMBER 001
 58-1027114

SCHEDULE H, LINE 4i—SCHEDULE OF ASSETS (HELD AT END OF YEAR)

December 31, 2014

Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment	Cost	Current Value
	Cash		\$2
Allianz Global Investors	Allianz NFJ Dividend Value Ins. Fund, 65,086 units	(a)	1,120,123
* Atlantic American Corporation	Atlantic American Corporation Common Stock Fund, 80,139 units		1,560,514
Baron Capital, Inc.	Baron Growth Fund, 19,941 units	(a)	1,460,492
Columbia Management	Columbia Acorn Int'l Fund Z, 4,097 units	(a)	170,973
	Columbia Small Cap Value II Z Fund, 8,778 units	(a)	154,236
DFA International	DFA International VL Port INS CL, 11,198 units	(a)	197,641
Eaton Vance	Parametric Emerging Markets, 3,310 units	(a)	46,370
Fidelity Investments	Fidelity Puritan Fund, 84,696 units	(a)	1,820,114
Harbor Investments	Harbor International Fund, 1,882 units	(a)	121,926
Loomis Sayles	Loomis Sayles Bond Fund Instl 15,991 units	(a)	237,145
Oppenheimer Funds	Oppenheimer Global Opportunities Y Fund, 6,990 units	(a)	279,242
PIMCO Funds	PIMCO Total Return II (I) Fund, 90,890 units	(a)	926,168

Table of Contents

ATLANTIC AMERICAN CORPORATION
 401(k) RETIREMENT SAVINGS PLAN
 PLAN NUMBER 001
 58-1027114

SCHEDULE H, LINE 4i—SCHEDULE OF ASSETS (HELD AT END OF YEAR)

December 31, 2014

T. Rowe Price	T. Rowe Price Equity Income, 9,159 units	(a)	300,425
	T. Rowe Price Blue Chip Growth Fund, 27,668 units	(a)	1,861,202
	T. Rowe Price Retirement Fund 2005, 18,544 units	(a)	241,066
	T. Rowe Price Retirement Fund 2010, 13,332 units	(a)	236,369
	T. Rowe Price Retirement Fund 2015, 42,535 units	(a)	615,484
	T. Rowe Price Retirement Fund 2020, 21,713 units	(a)	449,665
	T. Rowe Price Retirement Fund 2025, 11,065 units	(a)	173,834
	T. Rowe Price Retirement Fund 2030, 12,777 units	(a)	294,134
	T. Rowe Price Retirement Fund 2035, 18,112 units	(a)	301,746
	T. Rowe Price Retirement Fund 2040, 12,451 units	(a)	297,819
	T. Rowe Price Retirement Fund 2045, 1,504 units	(a)	24,058
	T. Rowe Price Retirement Fund 2050, 22,987 units	(a)	308,262
	T. Rowe Price Retirement Fund 2055, 2,296 units	(a)	30,566
Vanguard Group	Vanguard Small Cap Index Fund, 6,464 units	(a)	361,127
	Vanguard Mid Cap Index Fund, 5,694 units	(a)	871,048
	Vanguard Total Bond Market Index I Fund, 63,549 units	(a)	690,782
Various Plan	Participant loans with varying maturities and interest rates ranging from		130,522
* Participants	4.25% to 6.00%	-	
*,			
** Wells Fargo Bank, NA	Wells Fargo Enhanced Stock Market Fund G, 4,135 units	(a)	726,938
	Wells Fargo Stable Return Fund N, 36,550 units	(a)	1,884,774
TOTAL			\$17,894,767

* Indicates party in interest

** Common/collective trusts

(a) Participant-directed

Table of Contents

Exhibit 2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Atlantic American Corporation 401(k) Retirement Savings Plan
Atlanta, Georgia

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 33-90890) of Atlantic American Corporation of our report dated June 23, 2015, relating to the financial statements and supplemental schedule of Atlantic American Corporation 401(k) Retirement Savings Plan which appear in this Form 11-K for the year ended December 31, 2014.

BDO USA, LLP
Atlanta, Georgia
June 23, 2015