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COTTON STATES LIFE INSURANCE CO /
Form 10-Q
November 13, 2001

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

Quarterly Report Under Section 13 or 15(d) of
The Securities Exchange Act of 1934

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2001

Commission File Number 2-39729

COTTON STATES LIFE INSURANCE COMPANY
(Exact name of registrant as specified in its charter)

GEORGIA

58-0830929

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification Number)

244 Perimeter Center Parkway, N.E., Atlanta, Georgia

30346

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (770) 391-8600

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 twelve months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to the filing requirements for at least the past 90 days.

YES [X] NO []

The Registrant as of September 30, 2001, has 6,336,428 shares of common stock outstanding.

COTTON STATES LIFE INSURANCE COMPANY

FORM 10-Q

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2001

INDEX

PART 1 - FINANCIAL INFORMATION

Item 1.	Financial Statements	
	Independent Auditors' Review Report.....	

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Consolidated Condensed Balance Sheets as of September 30, 2001 and December 31, 2000.....	
Consolidated Condensed Statements of Earnings for the Three Months and Nine Months Ended September 30, 2001 and 2000.....	
Consolidated Condensed Statements of Cash Flows for the Three Months and Nine Months Ended September 30, 2001 and 2000.....	
Consolidated Condensed Statements of Comprehensive Income For the Three Months and Nine Months Ended September 30, 2001 and 2000.....	
Notes to Unaudited Consolidated Condensed Financial Statements.....	

Item 2. Management's Discussion and Analysis of Consolidated Condensed Financial Condition and Results of Operations.....

Item 3. Quantitative and Qualitative Disclosures about Market Risk.....

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.....	
Item 2. Changes in Securities and Use of Proceeds.....	
Item 3. Defaults Upon Senior Securities.....	
Item 4. Submission of Matters to a Vote of Security Holders.....	
Item 5. Other Information.....	
Item 6. Exhibits and Reports on Form 8-K.....	

SIGNATURES.....

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS
COTTON STATES LIFE INSURANCE COMPANY, INC.:

We have reviewed the consolidated condensed balance sheet of Cotton States Life Insurance Company, Inc. as of September 30, 2001, and the related consolidated condensed statements of earnings and comprehensive income for the three-month and nine-month periods ended September 30, 2001 and 2000, and the consolidated condensed statements of cash flows for the nine month periods ended September 30, 2001 and 2000. These consolidated condensed financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated condensed financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Cotton States Life Insurance Company, Inc. as of December 31, 2000, and the related consolidated statements of earnings, shareholders' equity, cash flows and comprehensive income for the year then ended (not presented herein); and in our report dated February 21, 2001, we expressed an unqualified opinion on those

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consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated condensed balance sheet as of December 31, 2000, is fairly stated in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/S/ KPMG LLP

November 10, 2001
Atlanta, Georgia

ITEM I - CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

COTTON STATES LIFE INSURANCE COMPANY
Consolidated Condensed Balance Sheets
September 30, 2001 and December 31, 2000
(Amounts in Thousands)

	2001 ----- (unaudited)	2000 -----
ASSETS		
Investments:		
Fixed maturities, held for investment, at amortized cost (fair value \$13,036 in 2001 and \$15,214 in 2000)	\$ 12,553	15,
Fixed maturities, available for sale, at fair value (amortized cost \$132,784 in 2001 and \$119,813 in 2000)	135,827	116,
Equity securities, at fair value (cost \$3,730 in 2001 and \$3,671 in 2000)	3,105	3,
First mortgage loans on real estate	1,796	2,
Policy loans	9,468	8,
Other invested assets	1,000	1,
	-----	-----
TOTAL INVESTMENTS	163,749	147,
Cash and cash equivalents	5,002	6,
Accrued investment income	2,284	2,
Premiums receivable	3,066	3,
Reinsurance receivable	5,775	4,
Deferred policy acquisition costs	50,068	46,
Other assets	424	
	-----	-----
	\$ 230,368	211,
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Policy liabilities and accruals:		
Future policy benefits	141,800	132,
Policy and contract claims	3,023	2,
Federal income taxes	8,338	6,
Other liabilities	7,676	7,
	-----	-----

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TOTAL LIABILITIES	160,837	148,
	-----	-----
Shareholders' equity:		
Common stock	6,755	6,
Additional paid-in capital	1,496	1,
Accumulated other comprehensive income (loss)	1,292	(1,
Retained earnings	64,244	60,
Less:		
Unearned compensation-restricted stock	(842)	(
Treasury stock, at cost, (418 shares in 2001 and 409 in 2000)	(3,414)	(3,
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	69,531	62,
	-----	-----
	\$ 230,368	211,
	=====	=====

See accompanying notes to unaudited consolidated condensed financial statements.

2

COTTON STATES LIFE INSURANCE COMPANY
 Unaudited Consolidated Condensed Statements of Earnings
 Three Months and Nine Months ending September 30, 2001 and 2000
 (Amounts in thousands, except per share data)

	Three months ended September 30,		Nine m Sept
	2001	2000	2001
	-----	-----	-----
Revenue:			
Premiums	\$ 7,562	6,772	21,736
Investment income	2,689	2,524	7,804
Realized investment gains (losses)	(69)	(6)	20
Brokerage commissions	1,131	1,025	3,131
	-----	-----	-----
TOTAL REVENUE	11,313	10,315	32,691
	-----	-----	-----
Benefits and expenses:			
Benefits and claims	4,229	3,928	12,729
Interest credited	1,401	1,304	4,034
Amortization of policy acquisition costs	1,238	466	3,360
Operating expenses	1,882	1,656	6,117
	-----	-----	-----
TOTAL BENEFITS AND EXPENSE	8,750	7,354	26,240
	-----	-----	-----
Income before income tax expense	2,563	2,961	6,451
Income tax expense	597	836	1,763
	-----	-----	-----

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NET INCOME	\$ 1,966	2,125	4,688
	=====	=====	=====
Basic income per share of common stock			
Net Income	\$ 0.31	0.34	0.74
	=====	=====	=====
Diluted income per share of common stock			
Net income	\$ 0.30	0.33	0.72
	=====	=====	=====
Weighted average number of shares used in computing income per share			
Basic	6,345	6,345	6,345
	=====	=====	=====
Diluted	6,517	6,462	6,525
	=====	=====	=====

See accompanying notes to unaudited consolidated condensed financial statements.

3

COTTON STATES LIFE INSURANCE COMPANY
Unaudited Consolidated Condensed Statements of Cash Flows
Nine months ended September 30, 2001 and 2000
(Amounts in Thousands)

	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 4,688	5,710
Adjustments to reconcile net income to net cash provided from operating activities:		
Increase in policy liabilities and accruals	9,871	7,170
(Increase) in deferred policy acquisition costs	(3,861)	(4,727)
Increase in liability for income taxes	187	848
(Increase) in amounts receivable and amounts due from reinsurers	(1,148)	(1,534)
Increase in amounts due affiliate	197	62
Increase in accounts payable and accruals	56	668
Other, net	450	266
	-----	-----
Net cash provided from operating activities	10,440	8,463
	-----	-----
Cash flows from investing activities:		
Purchase of fixed maturities available for sale	(58,361)	(16,657)
Purchase of equity securities	(1,742)	(2,293)
Sale of fixed maturities available for sale	40,888	0
Sale of equity securities	1,683	1,207
Proceeds from maturities of fixed maturities held for investment	2,500	1,010

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Proceeds from maturity and redemption of fixed maturities held for sale	4,437	6,154
Principal collected on first mortgage loans	301	623
Net increase in policy loans	(627)	(278)
Other, net	(104)	(173)
	-----	-----
Net cash used in investing activities	(11,025)	(10,407)
	-----	-----
Cash flows from financing activities:		
Cash dividends paid	(764)	(764)
Purchase of treasury stock	(87)	(146)
Stock issued under executive compensation plans	--	135
	-----	-----
Net cash used by financing activities	(851)	(775)
	-----	-----
Net (decrease) in cash and cash equivalents:	(1,436)	(2,719)
Cash and cash equivalents:		
Beginning of period	6,438	6,106
	-----	-----
END OF PERIOD	\$ 5,002	3,387
	=====	=====

See accompanying notes to unaudited consolidated condensed financial statements.

4

COTTON STATES LIFE INSURANCE COMPANY
 Unaudited Consolidated Condensed Statements of Comprehensive Income
 Three Months and Nine Months ending September 30, 2001 and 2000
 (Amounts in Thousands)

	Three months ended September 30,		Nine months September
	2001	2000	2001
	-----	-----	-----
Net income:	\$1,966	2,125	4,688
Other comprehensive income, before tax:			
Unrealized gains on securities available for sale	3,598	929	4,912
Reclassification adjustment for realized losses (gains) included in net income	69	6	(20)
	-----	-----	-----
TOTAL OTHER COMPREHENSIVE INCOME BEFORE TAX	3,667	935	4,892
	-----	-----	-----
Income tax expense related to			

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items of other comprehensive income	1,422	366	1,884
	-----	-----	-----
Other comprehensive income, net of tax	2,245	569	3,008
	-----	-----	-----
TOTAL COMPREHENSIVE INCOME	\$4,211	2,694	7,696
	=====	=====	=====

See accompanying notes to unaudited consolidated condensed financial statements.

5

COTTON STATES LIFE INSURANCE COMPANY
NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 AND DECEMBER 31, 2000

NOTE 1 - BASIS OF PRESENTATION

The accompanying consolidated condensed financial statements include the accounts of Cotton States Life Insurance Company and its wholly owned subsidiaries CSI Brokerage Services, Inc., and CS Marketing Resources, Inc. Significant intercompany transactions and balances are eliminated in the consolidation.

The consolidated condensed financial statements for the three months and nine months ended September 30, 2001 are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. These consolidated condensed financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the Company's annual report on Form 10-K for the year ended December 31, 2000.

In the opinion of management, all adjustments and reclassifications necessary to present fairly the financial position and the results of operations and cash flows for the interim periods have been made. All such adjustments are of a normal and recurring nature. The results of operations are not necessarily indicative of the results of operations that the Company may achieve for the entire year.

NOTE 2 - ACCOUNTING PRONOUNCEMENTS

Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities became effective beginning January 1, 2001. However, due to the Company's limited use of derivative financial instruments, SFAS No. 133 had no impact on the Company's consolidated financial position, results of operations or cash flows.

The FASB also issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (a replacement of SFAS No. 125)" in September 2000. At this time, the Company does not expect this standard to have a significant impact on the Company's financial position or income.

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The FASB recently issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets," in June 2001. Based on current information available, the Company does not expect these standards to have a significant impact on the Company's financial position or income.

The FASB recently issued SFAS No. 143, "Accounting for Asset Retirement Obligations", and SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets (a replacement of SFAS No. 121). Based on current information available, the Company does not expect these standards to have a significant impact on the Company's financial position or income.

6

NOTE 3 - BUSINESS SEGMENTS

The Company's operations include the following three major segments, differentiated primarily by their respective methods of distribution and the nature of related products: individual life insurance, guaranteed and simplified issue life insurance, and brokerage operations. The Company's operations in each segment are concentrated within its southeastern state geographic market. Individual life insurance products are distributed through the Company's multi-line exclusive agents, guaranteed and simplified issue products are distributed through independent agents as well as exclusive agents, and brokerage operations all involve third party products distributed through the Company's exclusive and independent agents.

Total revenue and net income by business segment are as follows:

	Nine Months Ended September 30, (Dollars in thousands)	
	2001	2000
	-----	-----
Individual life insurance:		
Premiums	\$14,027	13,440
Investment income	7,195	6,943
Realized investment gains	19	--
	-----	-----
Total revenue	\$21,241	20,383
	=====	=====
Net income	\$ 2,839	3,741
	=====	=====
Guaranteed and simplified issue life insurance:		
Premiums	\$ 7,709	5,842
Investment income	567	374
Realized investment gains	1	--
	-----	-----
Total revenue	\$ 8,277	6,216
	=====	=====
Net income	\$ 307	370
	=====	=====

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Brokerage:		
Commission income	\$ 3,131	2,928
Investment income	42	108
Realized investment gains	--	237
	-----	-----
Total revenue	\$ 3,173	3,273
	=====	=====
Net income	\$ 1,542	1,599
	=====	=====
Total revenue	\$32,691	29,872
	=====	=====
Total net income	\$ 4,688	5,710
	=====	=====

NOTE 4 - CONTINGENCIES

The Company has initiated legal action to recover the proceeds of a \$900,000 reinsurance policy. The Company expects that the ultimate recovery of the full amount is very likely.

7

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED CONDENSED FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Statements made in the following discussion that states the Company's or management's intentions, hopes, beliefs, expectations or predictions of the future are forward-looking statements. Without limiting the foregoing, forward-looking statements include statements which represent the Company's beliefs concerning future levels of sales and redemption of the Company's products, investment spreads and yields, or the earnings and profitability of the Company's activities.

Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control and many of which are subject to change. These uncertainties and contingencies could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company. Whether or not actual results differ materially from forward-looking statements may depend on numerous foreseeable and unforeseeable developments. Some may be national in scope, such as general economic conditions, changes in tax law and changes in interest rates. Some may be related to the insurance industry generally, such as pricing competition, regulatory developments and industry consolidation. Others may relate to the Company specifically, such as credit, volatility and other risks associated with the Company's investment portfolio. Investors are also directed to consider other risks and uncertainties discussed in Form 10-K filed by the Company with the Securities and Exchange Commission. If the Company's assumptions and estimates are incorrect or do not come to fruition, or if the Company does not achieve all of these key factors, then the Company's actual performance could vary materially from the forward-looking statements made herein. The Company disclaims any obligation to update forward-looking information.

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RESULTS OF OPERATIONS
(DOLLARS IN THOUSANDS)

	NINE MONTHS ENDED		
	2001	SEPTEMBER 30, 2000	INCREASE
	-----	-----	-----
PREMIUMS			
Guaranteed and simplified issue life insurance	\$ 7,709	5,842	32%
Individual life insurance:			
Traditional life	4,807	4,670	3%
Universal life	9,220	8,770	5%
	-----	-----	
Total individual life insurance	14,027	13,440	4%
	-----	-----	
TOTAL PREMIUMS	\$21,736	19,282	13%
	=====	=====	

Guaranteed and simplified issue life insurance premiums continued to show significant growth as a result of higher production by the independent agency force which increased 13% to 4,400 agents under contract at September 30, 2001 compared to 3,900 at September 30, 2000. This product is also distributed by the

8

Company's multi-line exclusive agents and is available for purchase over the Internet at the Company's home page.

Individual life insurance products are principally sold by the Company's exclusive agent producers. Individual life premiums have increased 4% for the nine month period ending September 30, 2001 compared to the same period last year. The exclusive agency force of 294 as of September 30, 2001 increased 3% compared to the same date last year.

INVESTMENT INCOME

Investment income increased 5% compared to the first nine months of 2000 reflecting growth in the average investment portfolio. The annualized average yield decreased to 6.7% compared to 6.9% for the first nine months 2000 due to lower interest rates.

BROKERAGE COMMISSIONS

Exclusive agents also sell products that the Cotton States Group does not underwrite (both life and property and casualty). Property and casualty business lines, principally non-standard auto, continue to show strong growth with commissions increasing 15% compared to the first nine months of last year.

BENEFITS AND CLAIMS

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Life benefits and claims, including reserve increases on traditional life and guaranteed and simplified issue products are as follows:

	NINE MONTHS ENDED SEPTEMBER 30, (DOLLARS IN THOUSANDS)		
	2001 ----- BENEFITS AND CLAIMS -----	% OF PREMIUM -----	
BENEFITS AND CLAIMS			
Guaranteed and simplified issue	\$ 5,599	73%	4,318
Individual life insurance			
Traditional life	3,876	81%	3,065
Universal life	3,254	35%	2,683
	-----		-----
Total individual life insurance	7,130	51%	5,748
	-----		-----
TOTAL BENEFITS AND CLAIMS	\$12,729	59%	10,066
	=====		=====

Although individual life benefits were consistent with management's expectations for the quarter, they are up year to date compared to last year primarily due to high mortality experienced during the first quarter of the year.

9

INTEREST CREDITED TO POLICYHOLDERS

Interest credited to universal life contracts increased 5% reflecting growth in universal life policy accumulations. The annual interest rate credited to universal life contract accumulations was 6.2% for both nine month periods of 2001 and 2000.

AMORTIZATION OF POLICY ACQUISITION COSTS AND OPERATING EXPENSES

The amortization of policy acquisition costs as a percentage of premiums was 15% for the nine months ended September 2001. This is slightly higher than the Company's expected range of 12-14% due to higher lapses in the traditional lines of business which reflects increased term rate competition in the market place.

The amortization of policy acquisition costs for the third quarter of 2000 reflected a favorable adjustment from updating actuarial assumptions. This adjustment represented the slow down of amortization as a result of higher estimated future profits resulting from improvement in mortality levels on universal life products. The after tax effect on net income for the three month and nine month periods ended September 30, 2000 was \$429 thousand and \$.07 per share.

Operating expense as a percentage of premiums remained at 28% for the first nine months compared to the same period last year.

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INCOME TAX EXPENSE

The effective tax rate for the first nine months of 2001 was 27% compared to 31% for the same period last year. The 4 percentage point decrease is the result of the decrease in pretax income and an increase in the allowable small company deduction. The effective tax rate is based on the estimated annual rate.

NET INCOME

	NINE MONTHS ENDED SEPTEMBER 30, (DOLLARS IN THOUSANDS)		
	2001 -----	2000 -----	DECREASE -----
NET INCOME			
Guaranteed and simplified issue	\$ 307 -----	370 -----	(17%)
Individual life insurance:			
Traditional	404	935	(57%)
Universal life	2,435 -----	2,806 -----	(13%)
Total individual life insurance	2,839 -----	3,741 -----	(24%)
Brokerage operations	1,542 -----	1,599 -----	(4%)
Net Income	\$4,688 =====	5,710 =====	(18%)

10

Despite continued growth in premiums and more normal expense and mortality costs net income decreased for the quarter as third quarter 2000 results reflected a nonrecurring favorable adjustment to the amortization of policy acquisition costs.

Nine month results reflect higher first quarter mortality in comparison to the prior year as well as a nonrecurring favorable adjustment to the amortization of policy acquisition costs in 2000.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

CREDIT RISK

Credit Risk is the risk that issuers of securities owned by the Company will default, or other parties, including reinsurers, which owe the Company money, will not pay. The Company attempts to minimize these risks by following a conservative investment strategy and by contracting with reinsuring companies that meet high standards for rating criteria and other qualifications. The

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Company invests in government, governmental agency and high quality corporate bonds having an A rating or better. The fixed maturity portfolio had an average rating of AA- at September 30, 2001.

INTEREST RATE RISK

The Company's fixed maturity investments are subject to interest rate risk. The Company manages the impact of interest rate fluctuation through cash flow modeling. Liabilities for interest sensitive products are carried at full account value. The fixed maturity portfolio at September 30, 2001 and December 31, 2000 had an effective duration of 4.4 years and 4.8 years, respectively.

The table below summarizes the Company's interest rate risk and shows the effect of a hypothetical 100 basis point (bp) decrease and increase in interest rates on the fair values of the fixed investment portfolio. The selection of a 100 basis point decrease and increase in interest rates should not be construed as a prediction by the Company's management of future market events, but rather, to illustrate the potential impact of such events. These calculations may not fully capture the impact of the changes in the ratio of long-term rates to short-term rates.

FIXED MATURITIES	ESTIMATED FAIR VALUE SEPTEMBER 30, 2001	(AMOUNTS IN THOUSANDS) ESTIMATED FAIR VALUE AFTER 100 BASIS POINT CHANGE IN INTEREST RATES	
Held for investment	\$ 13,036	100 bp decrease	\$ 13,237
		100 bp increase	\$ 12,840
Available for sale	\$135,827	100 bp decrease	\$142,272
		100 bp increase	\$129,464

11

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

Premiums and investment income are the Company's major sources of cash flow used to meet its short-term and long-term cash requirements.

Short-term obligations consist primarily of operating expenses and policyholder benefits. The Company has been able to meet these funding requirements out of operating cash flow. The Company does not anticipate that it will become necessary to sell long-term investments to meet short-term obligations.

The Company's principal long-term obligations are fixed contractual obligations incurred in the sale of its life insurance products. The premiums billed for these products are based on conservative and actuarially sound assumptions as to mortality, persistency and interest. The Company believes these assumptions will produce revenues sufficient to meet its future contractual benefit obligations and operating expenses, and provide an adequate profit margin to finance future growth without a major entry into the debt or equity markets.

INVESTMENTS

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Since December 31, 2000, there has not been a material change in mix or credit quality of the Company's investment portfolio. All purchases have been fixed maturities available for sale and over 93% of the holdings at September 30, 2001 and December 31, 2000 are rated "A" or better. Due to lower interest rates the Company experienced an increase in the fair value of bonds of approximately \$6.6 million year to date.

MORTGAGE LOANS

The Company's mortgage loan policy stipulates that the Company will loan no more than 80% of the value on residential loans and no more than 75% of the value on commercial loans. The Company grants loans only to employees (excluding officers and directors) and agents.

The geographic distribution of the loan portfolio is:

NO. OF LOANS		STATE	BOOK VALUE (AMOUNTS IN THOUSANDS)	
SEPTEMBER 30, ----- 2001 ----	DECEMBER 31, ----- 2000 ----		SEPTEMBER 30, ----- 2001 -----	DECEMBER 31, ----- 2000 -----
3	3	Alabama	\$ 117	130
6	6	Florida	329	354
31	36	Georgia	1,350	1,614
--	--		-----	-----
40	45		\$1,796	2,098
==	==		=====	=====

Two loans representing \$101 thousand in principal are over 30 days delinquent. The loan-to-value ratio on delinquent loans is 27%.

12

SHAREHOLDERS' EQUITY

On September 18, 2001, the Company announced a stock repurchase program of up to 50,000 shares of the Company's common stock to be added to treasury shares for director and employee stock plans and other corporate purposes. As of September 30, 2001, the Company has repurchased 9,000 shares under the program at an average cost of \$9.65 per share.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by item 305 of Regulation S-K is contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in this Form 10-Q.

13

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Item 1. Legal Proceedings

The Company is a defendant in various actions incidental to the conduct of its business. The Company intends to vigorously defend the litigation and while the ultimate outcome of these matters cannot be estimated with certainty, management does not believe the actions will result in any material loss to the Company.

The Company has initiated legal action to recover the proceeds of a \$900,000 reinsurance policy. The Company expects that the ultimate recovery of the full amount is very likely.

Item 2. Changes in Securities and Use of Proceeds

NONE

Item 3. Defaults Upon Senior Securities

NONE

Item 4. Submission of Matters to a Vote of Security Holders

NONE

Item 5. Other Information

NONE

Item 6. Exhibits and Reports on Form 8-K

Exhibit 11 - Statement re: Computation of Per Share Earnings

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.

COTTON STATES LIFE INSURANCE COMPANY
REGISTRANT

Date: 11/13/01

/s/ J. Ridley Howard

J. Ridley Howard, Chairman
President and Chief Executive Officer

Date: 11/13/01

/s/ Roger W. Fisher

Roger W. Fisher
Senior Vice President, Chief Financial
Officer and Treasurer