COTTON STATES LIFE INSURANCE CO /
Form 10-K405
March 28, 2001

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Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000

OR

[ ] 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 2-39729

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

GEORGIA	58-
(State of incorporation and jurisdiction)	(I.R.S Identif

244 PERIMETER CENTER PARKWAY, N.E., ATLANTA, GEORGIA
(Address of principal executive offices) (Z

Registrant's telephone number, including area code: (404)391-8600

Securities registered pursuant to Section 12(b) of the Act:

NONE

Securities registered pursuant to Section 12(g) of the Act:

EXEMPT-UNDER SECTION 12(g)(2)(G)

Indicate by check mark whether the registrant 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 and has been subject to the filing requirements for at least the past 90 days.
YES [X] NO [ ]

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of voting stock held by non-affiliates was $43,756,380 based on the closing price of $10.31 on February 1, 2001, as reported on the NASDAQ National Market.

As of February 1, 2001, there were 6,345,428 shares of registrant's common stock outstanding.

The Exhibit Index is located on Page 50.

The total number of pages in this document is 55

PART I

ITEM 1. BUSINESS

GENERAL

Cotton States Life Insurance Company (the "Company") was organized under the laws of the State of Georgia in 1955. The Company is currently licensed to transact business in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee and Virginia.

The Company currently markets only individual life insurance, payroll deduction life insurance, guaranteed-simplified issue life insurance and individual annuities.

In July of 1989, the Company formed CSI Brokerage Services, Inc. ("CSI"). CSI brokers insurance products for the Company's exclusive agents not offered by the Company's affiliated property and casualty companies.

In November of 1989, the Company acquired 60% of the outstanding common stock of Cotton States Marketing Resources, Inc. ("CSMR"). During 1992, the Company acquired the remaining 40% of CSMR's stock. CSMR brokers through the Company's exclusive agents other insurance companies' life and accident and health products not underwritten by the Company.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The Company's operations can be grouped into three major segments: (i) individual life insurance, (ii) guaranteed issue and simplified issue life insurance, and (iii) brokerage operations. These segments are differentiated primarily by their respective methods of distribution and the nature of related products, as the Company's operations in each segment are concentrated within its southeastern states geographic market. Individual life insurance products are distributed through the Company's multi-line exclusive agents, guaranteed issue and simplified issue products are distributed through independent agents as well as exclusive agents, and brokerage operations involve third party products distributed through the Company's exclusive and independent agents.

	2000	1999
Individual life insurance:		
Premiums	$ 17,816,354	16,653,463
Net investment income	9,403,578	8,837,008
Realized investment gains	160,104	254,052
Total revenue	27,380,036	25,744,523
Policyholder benefits	13,337,303	12,173,031
Operating expenses	7,103,512	7,525,275
Total benefits and expenses	20,440,815	19,698,306
Operating profit	6,939,221	6,046,217
Guaranteed and simplified life insurance:		
Premiums	8,106,634	5,843,177
Net investment income	540,200	316,301
Realized investment gains	9,670	9,093
Total revenue	8,656,504	6,168,571
Policyholder benefits	5,728,786	3,358,022
Operating expenses	2,368,914	1,616,158
Total benefits and expenses	8,097,700	4,974,180
Operating profit	558,804	1,194,391
Brokerage:		
Brokerage commissions	4,197,173	3,828,087
Net investment income	147,003	99,061
Realized investment gains	236,160	211,483
Total revenue	4,580,336	4,138,631
Operating expenses	1,154,992	1,086,777
Operating profit	3,425,344	3,051,854
Combined operating profit	10,923,369	10,292,462
Group life insurance and individual accident and health results	(70,097)	(109,127)
Earnings before Federal income taxes	$ 10,853,272	10,183,335

NARRATIVE DESCRIPTION OF BUSINESS SEGMENTS

(I) INDIVIDUAL LIFE

The major forms of individual life insurance offered by the Company include universal life, graded premium whole life, participating whole life, term insurance, various supplemental riders including, but not limited to, accidental death, disability waiver and guaranteed insurability, and disability income riders. These products are sold by the Company's 282 multi-line exclusive agents in Alabama, Florida, Georgia, Kentucky and Tennessee.

The Company offers its insurance through multi-line exclusive agents who also write all lines of property and casualty insurance offered by Cotton States Mutual Insurance Company ("Mutual") and its subsidiary, Shield Insurance Company ("Shield"). See Item 13 of this report for an explanation of the relationship between the Company, Mutual and Shield. Multi-line exclusive agents are under contract to the Company, Mutual and Shield, and are paid on a commission basis. The Company's multi-line exclusive agents are located in the following states:

	NUMBER OF AGENTS DECEMBER 31,		
	2000	1999	STATE
	48	53	Alabama
	24	24	Florida
	159	164	Georgia
	30	27	Kentucky
	21	15	Tennessee
TOTAL	282	283	

Unless the need for a medical examination is indicated by the application or an investigation, the Company writes individual life insurance based on age without requiring blood and specimen in the following maximum amounts:

AGE GROUP	MAXIMUM INSURANCE
0-17	$100,000
18-40	74,999
41-50	50,000
51 and over	25,000

As of December 31, 2000, less than 2.9% of the Company's individual life premiums were represented by substandard risks. Substandard life insurance risks are accepted by the Company at increased rates. The Company has no fixed maximum on the size of substandard policies and will entertain any application on which it can obtain suitable reinsurance.

The Company, as do others in the insurance industry, reinsures with other companies portions of the individual life insurance policies it underwrites. Reinsurance enables an insurance company to write a policy in an amount larger than the risk it desires to assume. A contingent liability exists on insurance ceded to the reinsurer which might become a liability of the Company in the event that the reinsurer fails to meet its obligations under the reinsurance treaty.

The Company presently retains, with respect to individual life policies, no more than $100,000 of insurance on any one life, which may be reduced, depending upon the age and the physical classification of the insured. All accidental death riders are 100% reinsured.

(II) GUARANTEED ISSUE AND SIMPLIFIED ISSUE WHOLE LIFE INSURANCE

The Company offers Guaranteed Issue and Simplified Issue whole life insurance through its multi-line agency force and approximately 3,900 independent agents. The independent agents sell these products in all states in which the Company is licensed.

Both plans are level-premium, cash value permanent life insurance products issued from $2,500 to $25,000 face amounts. Both plans are frequently used by individuals to cover final expenses. They are designed to be sold as companion plans using a simple application and no medical exams or tests. If all health questions can be answered "NO", the Simplified Issue policy may be issued. Otherwise, the Guaranteed Issue policy will be issued.

Guaranteed Issue whole life is available for issue ages 46-80. The death benefit in policy years one to three is limited to a return of premium plus 10%. However, the full death benefit is payable in all years in case of accidental death. After three years, the full death benefit is payable for any cause of death.

Simplified Issue whole life is available for issue ages 0-80. The full death benefit is payable from the issue date.

(III) BROKERAGE

The Company owns two brokerage subsidiaries, CSI and CSMR. CSI provides the Company with commission income from brokerage agreements with other property and casualty insurance carriers. These carriers supply the Company's multi-line agents with property and casualty products that the Company's affiliated property and casualty companies do not underwrite, such as non-standard auto insurance, crop hail insurance, multi-peril crop insurance, mobile home insurance, poultry house insurance and flood insurance.

Sixty-two percent of CSI's brokerage revenues come from the sale of non-standard auto insurance through two carriers. Twenty percent of CSI's revenue comes from the sale of crop hail and multi-peril crop insurance through one carrier.

CSMR provides the Company with commission income from brokerage agreements with other life and health insurance companies. These companies supply the Company's multi-line agents with life and health products that the Company does not choose to underwrite, such as individual major-medical policies, impaired risk life insurance, first to die life insurance, group life and health insurance. CSMR has contracted with approximately 3,900 independent agents to write the Company's Guaranteed Issue and Simplified Issue whole life insurance.

REGULATION

The Company, like other insurance companies, is subject to regulation and supervision by the states in which it transacts business. The insurance laws of these states confer upon supervisory authorities broad administrative powers relating to (i) the regulation and revocation of licenses to transact business, (ii) the regulation of trade practices, (iii) the licensing of agents, (iv) the approval of the form and content of policies and advertising, (v) the depositing of securities for the benefit of policyholders, (vi) the type and amount of investments permitted, and (vii) the maintenance of specified reserves and capital for the protection of policyholders. In general, insurance laws and regulations are designed primarily to protect policyholders rather than shareholders.

The Company is also required under these laws to file detailed annual reports with the supervisory agencies in each of the states in which it does business. Under the rules of the National Association of Insurance Commissioners, the Company's records are examined periodically by one or more of the state supervisory agencies.

EMPLOYEES

In addition to its principal officers, the Company shares 118 salaried employees with Shield and Mutual. The Company pays an allocated portion of the shared employees' salaries, either based upon the Company's premium income in relation to the premium income of Mutual and Shield or the actual time expended on each company's affairs. The Company and its subsidiaries also have 34 salaried employees who work on a full-time basis in its home office, where all administrative functions, such as underwriting, billing and collection of premiums, are centralized and from which all sales activities are directed. None of the Company's employees is subject to a collective bargaining agreement.

COMPETITION

The Company operates in a highly competitive industry. It competes with a large number of stock and mutual insurance companies. Larger stock and mutual insurance companies may have a competitive advantage in that they have greater financial and human resources that enable them to offer more diversified lines of coverage and develop new products faster.

Mutual companies may also have an additional advantage compared to stock insurers because all of their profits accrue to the policyholders.

The Company has certain advantages that enable it to keep its premium rates competitive with similar policies offered by competing companies. These advantages are:

1. The Company offers most of its insurance through the same agents who write property and casualty insurance for Mutual and Shield. The sale of insurance through the same agents who sell property and casualty insurance enables the Company to incur less agency development and sales expense than is customary in the industry;

2. Because the Company's agents can provide customers with coverage for all major lines of individual insurance they may utilize "account" selling. Account selling enables insureds to contact one agent regarding their total insurance needs; and

3. The Company shares certain facilities, equipment and personnel with Mutual and Shield. The Company believes that sharing these expenses has a favorable impact on the ratio of expenses to premium income and enables the Company to enjoy economies of scale.

In order to keep pace with trends in the industry, the Company introduces new products with premium rates and benefits that it believes are competitive with the industry.

ITEM 2. PROPERTIES

The Company, Mutual and Shield occupy offices located at 244 Perimeter Center Parkway, Atlanta, Georgia. The building is owned by a general partnership composed of Mutual and Gold Kist Inc. ("Gold Kist"). The Company has no ownership interest in the partnership. The facility consists of a three-story office building containing approximately 260,000 square feet of space of which the Company, Mutual and Shield share approximately 90,000 square feet. The Company believes that the facility is suitable to its business. Rental expense is allocated to the Company based on its proportionate share of square footage occupied.

ITEM 3. LEGAL PROCEEDINGS

The Company is a defendant in various actions incidental to the conduct of its business. While the ultimate outcome of these matters cannot be estimated with certainty, management does not believe the actions are reasonably likely to result in a material loss to the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

On January 1, 2001, there were approximately 1,900 shareholders of the Company's common stock. The stock (symbol "CSLI") is traded over-the-counter on the NASDAQ National Market System. Price history as provided by NASDAQ and dividends declared during the past two years are presented below:

	Stock Price(1)		Dividend
	High	Low	Declared

2000			
First Quarter	$ 9.00	7.00	.04
Second Quarter	8.63	7.13	.04
Third Quarter	9.81	8.00	.04
Fourth Quarter	11.50	8.25	.04
1999			
First Quarter	$14.50	11.75	.04
Second Quarter	12.50	10.38	.04
Third Quarter	12.38	9.00	.04
Fourth Quarter	10.38	7.50	.04

(1) The prices presented above are sale prices which represent price between broker-dealers and do not include mark-ups or mark-downs or any commission to the broker-dealer. Therefore, the prices presented above do not reflect prices in actual transactions.

ITEM 6. SELECTED FINANCIAL DATA

TEN-YEAR SELECTED FINANCIAL DATA

	2000	1999	1998
AS OF DECEMBER 31			
Total assets	$211,300,570	190,516,318	180,773,289
Total liabilities	$148,566,691	5,729,241	126,282,437
Total shareholders' equity	$ 62,733,879	54,787,077	54,490,852
Book value per share	$ 9.89	8.66	8.56
Closing price per share	$ 11.50	8.63	14.88
YEARS ENDED DECEMBER 31			
Premiums	$ 26,816,523	23,302,097	19,935,354
Net investment income, realized investment gains and brokerage income	$ 14,693,886	13,555,085	12,365,999
Total revenue	$ 41,510,409	36,857,182	32,301,353
Benefits and expenses	$ 30,657,137	26,673,847	21,916,010
Net income	$ 7,606,215	7,327,945	7,240,585
Basic net income per share	$ 1.20	1.16	1.13
Diluted net income per share	$ 1.18	1.14	1.10
Dividends per share	$ .160	.160	.160

AS OF DECEMBER 31	1995	1994	1993

Total assets	$139,381,979	124,412,468	116,237,515
Total liabilities	$ 99,694,942	90,855,648	85,285,402
Total shareholders' equity	$ 39,687,037	33,556,820	30,952,113
Book value per share	$ 6.23	5.28	5.10
Closing price per share	$ 4.80	3.63	3.20
YEARS ENDED DECEMBER 31			
Premiums	$ 15,061,541	15,128,529	13,535,407
Net investment income, realized investment gains and brokerage income	$ 8,814,035	7,597,136	7,271,267
Total revenue	$ 23,875,576	22,725,665	20,806,674
Benefits and expenses	$ 18,548,121	18,333,697	18,149,664
Net income	$ 4,070,871	3,303,024	2,435,355
Basic net income per share	$ .64	.54	.40
Diluted net income per share	$ .63	.51	.39
Dividends per share	$ .072	.060	.051

Note: All share and per share amounts have been adjusted for the following stock splits:

October 1995	five-for-four
April 1997	five-for-four
January 1998	three-for-two

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Statements made in the following discussion that state 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 documents 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.

RESULTS OF OPERATIONS
(DOLLARS IN THOUSANDS)

	2000	1999	INCREASE	1998
PREMIUMS				
Guaranteed and simplified issue life insurance	$ 8,107	5,843	39%	3,795
Individual life insurance:				
Traditional life	6,057	5,848	4%	5,573
Universal life	11,759	10,805	9%	9,762
Total individual life insurance	17,816	16,653	7%	15,335
Other Lines	894	806	11%	--
TOTAL PREMIUMS	$26,817	23,302	15%	19,935

Guaranteed and simplified issue life insurance premiums continued to show significant growth as a result of higher production by the Company's independent agency force which increased 44% to approximately 3,900 agents under contract at December 31, 2000 after increasing by 42% the previous year. This product is also distributed by the Company's multi-line exclusive agents and is available for purchase over the Internet at the Company's home page (www.cottonstatesinsurance.com).

Individual life insurance products are principally sold by the Company's exclusive agent producers. Growth in Individual life premiums largely reflects the popularity of universal life payroll deduction products. The exclusive agency force of 282 as of December 31, 2000 compares to 283 as of the same date in 1999 and 272 in 1998.

Other premiums consist of the Company's participation in a Federally sponsored group life pool and income from a closed block of individual accident and health business.

INVESTMENT INCOME

Investment income increased 9% in 2000 and 5% in 1999 reflecting growth in the average investment portfolio. The annualized average yield increased to 7.0% compared to 6.7% for 1999 and 1998.

BROKERAGE COMMISSIONS

Exclusive agents sell products that the Cotton States Group does not underwrite (both life and property and casualty) but are provided through the Company's brokerage operations, and for which the Company receives override commission. Growth in brokerage income for the year increased 10% due primarily to increased sales of non-standard automobile policies. Brokerage commissions increased 19% in 1999 due to a new affiliation with an additional non-standard automobile insurance carrier at higher override commission rates.

BENEFITS AND CLAIMS

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

	2000		1999	
	BENEFITS AND CLAIMS	% OF PREMIUM	BENEFITS AND CLAIMS	% OF PREMIUM
BENEFITS AND CLAIMS (dollars in thousands)				
Guaranteed and simplified issue	$ 5,729	71%	3,358	57%
Individual life insurance				
Traditional life	4,261	70%	4,305	74%
Universal life	3,878	33%	3,136	29%
Total individual life insurance	8,139	46%	7,441	45%
Other benefits and claims	932	104%	901	111%
TOTAL BENEFITS AND CLAIMS	$14,800	55%	11,700	50%

Benefits and claims as a percentage of premium fluctuate within a normal range reflecting volatility in mortality, changes in mix of business, and age of policyholders. Other benefits and claims consist of participation in a Federally sponsored group life pool and benefits on a closed block of individual accident and health business.

INTEREST CREDITED TO POLICYHOLDERS

Interest credited to universal life contracts increased 10% reflecting growth in business. The annual interest rate credited to policyholders of universal life contracts was 6.2% for 2000, 1999, and 1998.

AMORTIZATION OF POLICY ACQUISITION COSTS AND OPERATING EXPENSES

The amortization of policy acquisition costs decreased slightly from 1999 levels as the result of the periodic adjustment of actuarial assumptions to reflect current experience. For the year 2000, this adjustment represented the slow down in amortization as a result of higher estimated future profits resulting from expected improvement in mortality levels of universal life products from initial expectations. The after tax effect on net earnings for the period ended December 31, 2000 was $429,000.

Operating expense as a percentage of premiums decreased to 28% for the year compared to 31% in 1999 and 32% in 1998. The Company continues to realize increasing cost efficiencies from recently implemented digital imaging and automated policy processing technologies.

INCOME TAX EXPENSE

The effective tax rate for 2000 was 30% compared to 28% in 1999 and 30% in 1998. The 2 percentage point increase is the result of larger pretax income relative to the allowable small life company deduction.

NET INCOME (Dollars in thousands)	2000	1999	PERCENTAGE INCREASE/DECREASE
Operating income:			
Guaranteed and simplified issue	385	853	(55)%
Individual life insurance:			
Traditional	1,055	765	38%
Universal life	3,696	3,404	9%
Total individual life insurance	4,751	4,169	14%
Brokerage operations	2,235	2,044	9%
Other Lines	(49)	(80)	39%
Total operating income	7,322	6,986	5%
Realized gains	284	342	(17)%
Net Income	7,606	7,328	4%

Continued strong growth and cost efficiencies accounted for the increase in operating income for the year. Income from brokerage operations increased reflecting higher override commissions generated by an increased volume of business.

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'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 entry into the debt or equity markets.

INVESTMENTS

Since December 31, 1999, there has not been a material change in mix or credit quality of the Company's investment portfolio. All bond purchases have been available for sale and over 93% of the holdings at December 31, 2000 and 1999 are rated "A" or better. Due to the improvement in bond market conditions, the Company experienced an increase in the market value of bonds of approximately $2,471,000 for the fourth quarter and $3,299,000 year to date 2000.

MORTGAGE LOANS

The Company's mortgage loan policy limits the amounts of loans to 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:

NUMBER OF LOANS			BOOK VALUE (DOLLARS IN THOUSANDS)	
DECEMBER 31, 2000	DECEMBER 31, 1999	STATE	DECEMBER 31, 2000	DECEMBER 31 1999
3	3	Alabama	$ 130	146
6	6	Florida	354	385
36	47	Georgia	1,614	2,368
45	56		$2,098	2,899

Two loans representing $113,000 in principal are over 30 days delinquent. The loan-to-value ratio on delinquent loans is 31%.

ITEM 7A. 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 Company invests principally 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 December 31, 2000.

INTEREST RATE RISK

Interest rate risk is the risk that interest rates will change and cause a decrease in the value of an insurer's investments. The Company's fixed maturity investments are subject to interest rate risk. The Company seeks to manage the impact of interest rate fluctuation through cash flow modeling, which attempts to match the maturity schedule of its assets with expected payout of its liabilities. Liabilities for interest sensitive products are carried at full account value. The fixed maturity portfolio at December 31, 2000 and December 31, 1999 had an effective duration of 4.8 years and 5.1 years, respectively.

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The table below summarizes the Company's interest rate risk and shows the effect of a hypothetical 100 and 200 basis point increase/decrease in interest rates on the market values of the fixed investment portfolio. The selection of 100 and 200 basis point increases/decreases 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.

	ESTIMATED VALUE DECEMBER 31, 2000	ESTIMATED CHANGE IN INTEREST RATES (BP-BASIS POINTS)	E I
	(dollars in thousands)		
Held for investment:			
U. S. Treasury securities and obligations		200 bp decrease	
of U.S. government corporations		100 bp decrease	
and agencies	$1,501	100 bp increase	
		200 bp increase	
Debt securities issued by			
foreign governments	$2,031	200 bp decrease	
		100 bp decrease	
		100 bp increase	
		200 bp increase	
Corporate securities	$11,682	200 bp decrease	
		100 bp decrease	
		100 bp increase	
		200 bp increase	

Available for sale:		
U.S. Treasury and obligations		200 bp decrease
of U.S. government corporations		100 bp decrease
and agencies	$10,249	100 bp increase
		200 bp increase
Corporate securities	$89,385	200 bp decrease
		100 bp decrease
		100 bp increase
		200 bp increase
Mortgage-backed securities	$16,950	200 bp decrease
		100 bp decrease
		100 bp increase
		200 bp increase
Total fixed maturities	$131,798	200 bp decrease
	--------	100 bp decrease
		100 bp increase
		200 bp increase

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets

	DECEMBER 31,	
	2000	19
ASSETS		
Investments:		
Fixed maturities, held for investment, at amortized cost	$ 15,057,092	16,07
Fixed maturities, available for sale, at fair value	116,584,243	102,77
Equity securities, at fair value	3,776,423	2,62
First mortgage loans on real estate	2,097,616	2,89
Policy loans	8,841,008	8,59
Short-term investments	3,538,856	5,49
Other invested assets	1,000,000	1,00
Total investments	150,895,238	139,45
Cash	2,899,048	61
Accrued investment income	2,465,951	2,23
Amounts receivable, principally premiums	3,315,912	2,44
Amount due from reinsurers	4,376,910	4,03
Deferred policy acquisition costs	46,856,705	41,26
Other assets	490,806	47
	$ 211,300,570	190,51

Liabilities and Shareholders' Equity		
Policy liabilities and accruals:		
Future policy benefits	$ 132,654,587	122,60
Policy claims and benefits payable	2,298,224	1,45
Total policy liabilities and accruals	134,952,811	124,06
Federal income taxes:		
Current	576,889	67
Deferred	5,689,282	3,43
Other liabilities	7,347,709	7,56
Total liabilities	148,566,691	135,72
Shareholders' equity:		
Common stock of $1 par value. Authorized 20,000,000 shares; issued 6,754,504 shares	6,754,504	6,75
Additional paid-in capital	1,496,417	1,52
Accumulated other comprehensive income (loss), net of tax	(1,715,931)	(3,46
Retained earnings	60,320,092	53,73
Less:		
Unearned compensation - restricted stock	(794,276)	(36
Treasury stock, at cost (409,076 shares in 2000 and 427,145 shares in 1999)	(3,326,927)	(3,39
Total shareholders' equity	62,733,879	54,78
	$ 211,300,570	190,51

See accompanying notes to consolidated financial statements.

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES

Consolidated Statements of Earnings

	YEARS ENDED DECEMBER 31,	
	2000	1999
Revenue:		
Premiums	$26,816,523	23,302,097
Net investment income	10,090,780	9,252,370
Realized investment gains	405,933	474,628
Brokerage commissions	4,197,173	3,828,087
Total revenue	41,510,409	36,857,182
Benefits and expenses:		

Benefits and claims	14,800,123	11,699,850
Interest credited	5,198,089	4,736,078
Amortization of deferred policy acquisition costs	3,214,110	3,041,566
Operating expenses	7,444,815	7,196,353
Total benefits and expenses	30,657,137	26,673,847
Income before Federal income taxes	10,853,272	10,183,335
Federal income taxes:		
Current	2,114,917	1,764,630
Deferred	1,132,140	1,090,760
Total Federal income taxes	3,247,057	2,855,390
Net income	$ 7,606,215	7,327,945
Basic income per share of common stock	$ 1.20	1.16
Diluted income per share of common stock	$ 1.18	1.14
Weighted-average number of shares used in computing income per share:		
Basic	6,345,687	6,341,393
Diluted	6,466,069	6,444,202

See accompanying notes to consolidated financial statements.

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

	YEARS ENDED DEC	
	2000	199
Common stock - balance at beginning and end of year	$ 6,754,504	6,754,
Additional paid-in capital:		

Balance at beginning of year	1,528,178	1,478,
Treasury shares issued (acquired)	(83,304)	(91,
Tax benefit arising from issuance of restricted stock	51,543	140,
Balance at end of year	1,496,417	1,528,
Accumulated other comprehensive income (loss):		
Balance at beginning of year	(3,466,876)	1,779,
Change in unrealized gains (losses):		
Unrealized gains (losses) during year	3,313,133	(9,637,
Deferred (taxes) benefit	(1,126,466)	3,276,
Deferred acquisition cost adjustment	(435,722)	1,114,
Other comprehensive income (loss)	1,750,945	(5,246,
Balance at end of year	(1,715,931)	(3,466,
Retained earnings:		
Balance at beginning of year	53,732,985	47,420,
Net income	7,606,215	7,327,
Dividends of $.16 per share in 2000, $.16 in 1999, and $.16 in 1998	(1,019,108)	(1,015,
Balance at end of year	60,320,092	53,732,
Unearned compensation - restricted stock:		
Balance at beginning of year	(362,458)	(317,
Shares awarded	(490,964)	(353,
Compensation expense recorded	59,146	308,
Balance at end of year	(794,276)	(362,
Treasury stock:		
Balance at beginning of year	(3,399,256)	(2,625,
Cost of shares purchased (24,000 in 2000, 75,000 in 1999 and 89,354 shares in 1998)	(145,945)	(1,007,
Cost of shares issued (49,910 shares in 2000, 43,502 shares in 1999 and 50,267 shares in 1998)	218,274	233,
Balance at end of year	(3,326,927)	(3,399,
Total shareholders' equity	$ 62,733,879	54,787,

See accompanying notes to consolidated financial statements.

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	YEARS ENDED DE	
	2000	199
Cash flows from operating activities:		
Net income	$ 7,606,215	7,327
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in policy liabilities and accruals	10,891,757	10,182
(Increase) in deferred policy acquisition costs	(6,028,610)	(5,079
Change in liability for income taxes	1,054,461	1,820
Decrease (Increase) in amounts receivable and amounts recoverable from reinsurers	(1,211,138)	(1,441
Decrease (Increase) in amounts due affiliates	(466,547)	188
Decrease (Increase) in deferred compensation accruals	(133,818)	141
Decrease (Increase) in unearned policy charges	(51,501)	117
Other, net	94,936	102
Net cash provided by operating activities	11,755,755	13,359
Cash flows from investing activities:		
Purchase of fixed maturities available for sale	(20,141,334)	(27,539
Purchase of equity securities	(2,636,020)	(3,236
Purchase of other invested assets	--	
Sale of fixed maturities available for sale	3,403,849	8,059
Sale of equity securities	1,496,638	704
Proceeds from maturities of fixed maturities held for investment	1,010,000	500
Proceeds from maturity and redemption of fixed maturities available for sale	6,154,391	7,751
First mortgage loans originated	--	(178
Principal collected on first mortgage loans	801,141	810
Net increase in policy loans	(249,399)	(435
Other, net	(232,568)	(36
Net cash used in investing activities	(10,393,302)	(13,599
Cash flows from financing activities:		
Cash dividends paid	(1,019,108)	(1,015
Purchase of treasury stock	(145,945)	(1,007
Stock issued under executive compensation plans	134,970	233
Net cash used in financing activities	(1,030,083)	(1,789
Net increase (decrease) in cash and cash equivalents	332,370	(2,030
Cash and cash equivalents:		
Beginning of year	6,105,534	8,135
End of year	$ 6,437,904	6,105
Supplemental disclosures of cash paid during the year - income taxes	$ 2,156,832	1,034

See accompanying notes to consolidated financial statements.

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

	YEARS ENDED DECEMBER 31,	
	2000	1999
Net income	$ 7,606,215	7,327,945
Other comprehensive income (loss) before tax:		
Unrealized gains (losses) on securities available for sale	3,283,343	(8,998,293)
Reclassification adjustment for realized gains included in net earnings	(405,933)	(474,628)
Total other comprehensive income (loss) before tax	2,877,410	(8,523,665)
Income tax expense (benefit) related to items of other comprehensive income (loss)	1,126,466	(3,276,869)
Other comprehensive income (loss), net of tax	1,750,944	(5,246,796)
Total comprehensive income	$ 9,357,159	2,081,149

See accompanying notes to consolidated financial statements.

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2000, 1999, and 1998

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which vary in certain respects from reporting practices prescribed or permitted by the Insurance

Department of the State of Georgia. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Accounts that the Company deem to be acutely sensitive to changes in estimates include deferred policy acquisition costs and future policy benefits. In addition, the Company must determine requirements for disclosure of contingent assets and liabilities as of the date of the financial statements based upon estimates. In all instances, actual results could differ from estimates.

Following is a description of the most significant risks facing insurers and how the Company mitigates those risks:

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 this risk by adhering to a conservative investment strategy and by contracting with reinsuring companies that meet certain rating criteria and other qualifications.

INTEREST RATE RISK is the risk that interest rates will change and cause a decrease in the value of an insurer's investments. The Company attempts to mitigate this risk by attempting to match the maturity schedule of its assets with the expected payout of its liabilities. To the extent that liabilities come due more quickly than assets mature, an insurer would have to sell assets prior to maturity and recognize a gain or loss.

The significant accounting policies are as follows:

CONSOLIDATION POLICY

The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, CSI Brokerage Services, Inc. ("CSI") and Cotton States Marketing Resources, Inc. ("CSMR"). All significant intercompany balances and transactions have been eliminated in consolidation.

RECOGNITION OF PREMIUMS

Premiums on traditional life and accident and health insurance policies are recognized as income when due. Premiums on universal life policies are recognized when earned.

FUTURE POLICY BENEFITS

Future policy benefits on traditional individual life insurance policies are computed using a net level premium method based upon various assumptions as to investment yields, withdrawals, morbidity, and mortality. Future policy benefits on universal life insurance policies and annuities represent the contract's accumulated account value.

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2000, 1999, and 1998

DEFERRED POLICY ACQUISITION COSTS

The costs of acquiring most new individual life business are deferred and amortized with interest over the premium-paying period of the related policies. For traditional life policies, such amounts are amortized in proportion to the ratio of the annual premium income to the total anticipated premium income. Such anticipated premium income is estimated using the same assumptions used for computing future policy benefits. For universal life policies, deferrable costs are amortized in proportion to the ratio of the contract's annual gross profits to total anticipated gross profits. First-year excess expense charges are also deferred and accreted to income in the same manner as deferrable costs are amortized. Total anticipated gross profits are based on assumptions for investment margins, surrender charges, mortality charges, and level expense loads. The principal expenses deferred are commissions and certain expenses of the product development, policy issue, underwriting, and agency departments, all of which vary with and are primarily related to the production of new business. Policy acquisition costs deferred were approximately $9,313,000 in 2000, $8,121,000 in 1999, and $6,982,000 in 1998.

CASH AND CASH EQUIVALENTS

For purposes of presenting its statements of cash flows, the Company considers all short-term investments to be cash equivalents. Short-term investments have original maturity dates of less than three months.

INVESTMENTS

The Company accounts for investments under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities.

Fixed maturities held for investment are stated at amortized cost. Fixed maturities available for sale are stated at fair value. The cost of securities sold is determined by the identified certificate method. First mortgage loans are stated at their aggregate unpaid balance. Policy loans are stated at their aggregate unpaid balance and short-term investments are stated at cost.

Investments deemed to have a loss in value which is other than temporary are written down to their fair value. Unrealized gains and losses on fixed maturities available for sale are excluded from earnings and are reported within shareholders' equity as a component of accumulated other comprehensive income, net of deferred taxes and amounts attributable to the Company's universal life and annuity products.

INCOME TAXES

The Company, CSI and CSMR file a consolidated Federal income tax return.

Deferred taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2000, 1999, and 1998

EARNINGS PER SHARE

Basic earnings per share are based on the weighted-average number of common shares outstanding adjusted for the following stock split effected in the form of a stock dividend.

January 20, 1998	Three-for-two

The following table summarizes information relating to the calculation of basic and diluted earnings per share of common stock:

	YEARS ENDED DECEMBER 31,			
	2000		1999	
	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	INCOME (NUMERATOR)	SHARES (DENOMINATOR)
Data for Basic EPS calculation	$7,606,215	6,345,687	$7,327,945	6,341,393
Effect of dilutive securities:				
Options	--	2,655	--	35,953
Restricted stock	--	117,727	--	66,856
Data for Diluted EPS calculation	$7,606,215	6,466,069	$7,327,945	6,444,202

RECENT ACCOUNTING PRONOUNCEMENTS

Financial Accounting Standards Board ("FASB") SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137 and 138, is effective for years beginning January 1, 2001. The standard requires that all derivatives be recorded as an asset or liability, at fair value, regardless of the purpose or extent for holding the derivative. If a derivative is not utilized as a hedge, all gains and losses from the change in the derivative's estimated fair value are recognized in earnings. All gains and losses from the change in estimated fair value of certain derivatives utilized as hedges are recognized in earnings or other comprehensive income depending on the type of hedge relationship. Due to the Company's limited use of derivative financial instruments, the adoption of SFAS No. 133, as amended, will not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Effective January 1, 2001, the State of Georgia adopted the National Association of Insurance Commissioner's Codification of Statutory Accounting Practices. Management has reviewed the impact on the Company's statutory surplus and has determined that the codification standards will not have a material impact.

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2000, 1999, and 1998

(2) INVESTMENTS

The amortized cost and estimated fair values of investments in debt and equity securities as of December 31, 2000 and 1999 are as follows:

	2000		
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES
Held for investment:			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 1,499,749	1,661	--
Debt securities issued by foreign governments	1,997,221	33,509	--
Corporate securities	11,560,122	139,103	17,437
Total	$ 15,057,092	174,273	17,437

Available for sale:			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 10,070,642	233,263	55,365
Corporate securities	93,023,780	932,663	4,570,878
Mortgage-backed securities	16,718,625	245,121	13,608
Total	$119,813,047	1,411,047	4,639,851
Equity securities	$ 3,671,233	506,060	400,870

	1999			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	
Held for investment:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 1,498,783	4,502	--	
Debt securities issued by foreign governments	1,994,887	20,793	--	
Corporate securities	12,583,207	62,364	188,767	
Total	$ 16,076,877	87,659	188,767	
Available for sale:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 5,156,859	2,512	156,538	
Corporate securities	86,908,334	64,094	6,161,734	
Mortgage-backed securities	17,235,051	41,206	317,650	
Total	$109,300,244	107,812	6,635,922	1
Equity securities	$ 2,531,851	225,248	133,885	

December 31, 2000, 1999, and 1998

The amortized cost and estimated fair value of debt securities at December 31, 2000, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	AMORTIZED COST	ESTIMATED FAIR VALUE
Held for investment:		
Due in one year or less	$ 3,502,899	3,523,740
Due after one year through five years	11,554,193	11,690,188
Total	$ 15,057,092	15,213,928
Available for sale:		
Due in one year or less	$ 1,002,815	959,080
Due after one year through five years	30,989,249	30,078,890
Due after five years through 10 years	39,830,947	38,648,905
Due after 10 years	31,271,411	29,947,230
Mortgage-backed securities	16,718,625	16,950,138
Total	$119,813,047	116,584,243

Bonds with amortized cost of $1,852,000 at December 31, 2000 were on deposit with state regulatory authorities in accordance with statutory requirements.

Realized and unrealized gains and losses on investments for the years ended December 31, were as follows:

	2000	1999
Realized gains (losses) on sales and redemptions of investments:		
Fixed maturities available for sale:		
Gross gains	$ 92,433	263,967
Gross losses	(9,213)	(822)
Net realized gains	83,220	263,145
Equity securities:		
Gross gains	450,315	244,159
Gross losses	(127,602)	(32,676)

Net realized gains	322,713	211,483
Total	405,933	474,628
Changes in unrealized gains (losses):		
Fixed maturities held for investment	257,944	(946,135)
Fixed maturities available for sale	3,299,306	(9,729,213)
Equity securities	13,827	91,363
Net unrealized gains (losses)	3,571,077	(10,583,985)
Total realized and unrealized gains (losses)	$ 3,977,010	(10,109,357)

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements
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Details of net investment income are as follows:

	2000	1999	1998
Investment income:			
Fixed maturities held for investment	$ 1,052,274	1,104,486	1,181,695
Fixed maturities available for sale	8,063,799	7,241,794	6,619,801
Equity securities	36,582	8,140	--
First mortgage loans	192,450	259,558	333,870
Policy loans	616,130	600,219	576,800
Short-term investments	319,935	283,324	355,820
Total investment income	10,281,170	9,497,521	9,067,986
Less investment expenses	190,390	245,151	280,938
Net investment income	$10,090,780	9,252,370	8,787,048

(3) DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

CASH AND SHORT-TERM INVESTMENTS

The carrying amount of cash and short-term investments is a reasonable estimate of fair value.

INVESTMENT SECURITIES

For investment securities (which include fixed maturities held for investment, fixed maturities available for sale, and equity securities), fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

MORTGAGE LOANS

The fair value of mortgage loans is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics.

POLICY LOANS

The carrying amount of policy loans is a reasonable estimate of fair value.

UNIVERSAL LIFE AND ANNUITY BENEFITS

The carrying amount of universal life and annuity benefits is a reasonable estimate of fair value since credited interest approximates current market rates.

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2000, 1999, and 1998

The estimated fair values and carrying value of the Company's financial instruments at December 31, 2000 and 1999 are the same except for investment securities which are detailed in footnote (2) and mortgage loans as follows:

	MORTGAGE LOANS	
	CARRYING AMOUNT	FAIR VALUE
2000	$2,097,616	2,126,289
1999	$2,898,757	2,909,318

(4) FUTURE POLICY BENEFITS AND REINSURANCE

The composition of future policy benefits, and the significant assumptions used in their development, are as follows:

LINE OF BUSINESS	FUTURE POLICY BENEFITS 2000	FUTURE POLICY BENEFITS 1999	ASSUMPTIONS: YEARS OF ISSUE	ASSUMPTIONS: INTEREST RATES	ASSUMPTIONS: MORTAL
	(DOLLARS IN THOUSANDS)				
Life:					
Individual	$ 3,632	3,932	1956-65	4%	1955-60 Select
Individual	8,059	8,353	1966-79	6.5% - 5%(A)	Same as
Individual	5,498	5,447	1980-88	7.5% - 6%(A)	1965-70 Select
Individual	19,748	14,845	1989-00	7.5% - 6%(A)	1975-80 Select
Individual	4,611	4,392	Various	3.5% - 2.5%	Statuto
Annuities and universal life	91,071	85,599	Various	6.25% - 4.5%	Accumul account
Group	5	5	Various	--	Unearne
	132,624	122,573			
Accident and health - Individual	31	33	Various	3%	--
Total future policy benefits	$132,655	122,606			

(A) Interest rates are graded to the ultimate rate in 25 years.

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COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements
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The Company participates in certain business assumed from federally sponsored group pools. Further, it is the Company's general policy to reinsure individual life insurance in excess of $100,000, group life insurance in excess of $55,000, major medical payments in excess of $75,000 annually per individual, accidental deaths, and certain disability income coverage.

Amounts ceded under reinsurance agreements become liabilities of the Company should the reinsurers be unable to meet their obligations under the reinsurance agreements.

The effect of reinsurance assumed and ceded on certain financial statement accounts is as follows:

	2000	1999	1998
Premiums:			
Direct premiums	$ 30,346,024	26,554,116	22,813,996
Reinsurance assumed	766,213	667,688	672,153
Reinsurance ceded	(4,295,714)	(3,919,707)	(3,550,795)
Net premiums	$ 26,816,523	23,302,097	19,935,354
Benefits and claims:			
Reinsurance assumed	$ 751,279	660,555	662,918
Reinsurance ceded	$ 4,230,022	4,381,820	2,966,909

(5) INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying values of assets and liabilities for financial reporting purposes and Federal income tax purposes. The net deferred tax liability at December 31, 2000 and 1999 is composed of the tax-effected temporary differences related to the following amounts:

	2000	1999
Deferred tax assets:		
Fixed maturities available for sale	$ 1,097,793	2,219,557
Life insurance reserves	5,840,261	5,145,152
Unearned mortality and expense charges	860,596	854,378
Postretirement health benefits liability	84,945	95,673
Deferred compensation	145,834	191,332
Other, net	280,477	205,445
Total deferred tax assets	8,309,906	8,711,537
Deferred tax liabilities:		
Equity securities	35,765	31,064
Deferred policy acquisition costs	13,808,705	12,001,739

Due and unpaid premiums	95,963	80,717
Other, net	58,755	33,395
Total deferred tax liabilities	13,999,188	12,146,915
Net deferred tax liability	$ 5,689,282	3,435,378

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2000, 1999, and 1998

SFAS No. 109, Accounting for Income Taxes specifically identifies certain temporary differences for which deferred tax liabilities are not recognized unless it becomes apparent that those temporary differences will reverse in the foreseeable future. The Company has not recorded a deferred tax liability for one such item entitled "policyholders' surplus" created by Federal income tax regulations in effect prior to 1984. Certain untaxed income accumulated in this special memorandum tax account will become taxable if distributions, other than stock dividends, are made in excess of certain amounts accumulated in another special memorandum tax account entitled "shareholders' surplus." The balance in the "policyholders' surplus" account at December 31, 2000 was $4,203,000.

The balance in the "shareholders' surplus" account at December 31, 2000 was $50,571,000. The Company does not anticipate any of the "policyholders' surplus" account becoming taxable in the foreseeable future.

In assessing the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management has concluded that it is more likely than not that all of its deferred tax assets are realizable. Therefore, no valuation allowance was established at December 31, 2000, 1999, and 1998.

Federal income tax expense is less than amounts determined by multiplying earnings before Federal income taxes by the Federal tax rate of 35%. The reason for such difference and the tax effect of each are as follows:

	2000	1999	19
Federal income tax expense at statutory rate	$ 3,798,645	3,564,167	3,63
Special deductions available to small			

Life insurance companies	(559,193)	(572,553)	(58
Surtax exemption	(92,163)	(87,946)	(9
Other, net	99,768	(48,278)	18
Total Federal income taxes	$ 3,247,057	2,855,390	3,14

(6) POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Company has a plan which provides for postretirement health care and life insurance benefits for certain employees. These benefits include major medical insurance with deductible and coinsurance provisions. The Company accrues benefits on a current basis and the plan is not funded. The components of the net periodic postretirement benefit cost for the years ended December 31 are as follows:

	2000	1999
Service cost	$ 2,575	394
Interest cost	9,634	12,541
Amortization of unrecognized gain	(12,209)	(12,609)
Net periodic postretirement benefit cost	$ --	326

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements
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The following tables set forth the plan's funded status, reconciles the amounts shown in the Company's balance sheet, and reconciles the accumulated postretirement benefit obligation at December 31, 2000 and 1999:

	2000	1999
Accumulated postretirement benefit obligation:		
Retirees	$ 141,832	126,767
Other active participants	10,676	9,538
Accumulated postretirement benefit obligation in excess of plan assets	152,508	136,305
Unrecognized net gain	97,330	145,087

Accrued postretirement benefit liability	$ 249,838	281,392
	=========	========
Accrued postretirement benefit liability at beginning of year	$ 281,392	302,178
Net periodic cost	--	326
Amounts paid by Company	(31,554)	(21,112)
	---------	--------
Accrued postretirement benefit liability at end of year	$ 249,838	281,392
	=========	========
Accumulated postretirement benefit obligation at beginning of year	$ 136,305	162,417
Service cost	2,575	394
Interest cost	9,634	12,541
Amounts paid by Company	(31,554)	(21,112)
Actuarial loss (gain)	35,548	(17,935)
	---------	--------
Accumulated postretirement benefit obligation at end of year	$ 152,508	136,305
	=========	========

The postretirement benefit obligation was determined by application of the terms of the plan using various actuarial assumptions. Health care costs are projected to increase at annual rates of 5% in 2000 and thereafter. A 1% annual increase in these assumed cost trend rates would increase the accumulated postretirement benefit obligation at December 31, 2000 by approximately $5,896 and the service and interest cost components of the net periodic postretirement benefit cost for 2000 by approximately $457. A 1% annual decrease in these assumed cost trends would decrease the accumulated postretirement benefit obligation at December 31, 2000 by approximately $5,312 and the service and interest components of the net periodic postretirement benefit cost by $412. The assumed discount rate used in determining the accumulated postretirement obligation was 7.50% at December 31, 2000 and 7.75% at December 31, 1999.

(7) TRANSACTIONS WITH AFFILIATES

Cotton States Mutual Insurance Company ("Mutual"), through its wholly owned subsidiary, Shield Insurance Company ("Shield"), controls approximately 33% of the Company's outstanding common stock. Most officers and directors of the Company hold similar positions with these affiliates.

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES
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Certain general expenses are allocated to the Company from its affiliates. These expenses, such as salaries, advertising, rents, etc., represent the Company's share of expenses initially paid by Mutual and are allocated based on specific identification or, if undeterminable, generally on the basis of each company's premium. Expenditures allocated to the Company amounted to $3,386,739 in 2000, $2,957,431 in 1999, and $2,779,136 in 1998. At December 31, 2000 and 1999, the

Company owed Mutual $393,926 and $507,187, respectively.

The Company expensed pension costs of $61,645 in 2000, $63,354 in 1999, and $36,148 in 1998 and 401(k) matching costs of $43,838 in 2000, $36,451 in 1999, and $42,805 in 1998.

Rent for use of software of $106,000 in 2000, 1999, and 1998, has been charged to the affiliated companies.

(8) STOCK-BASED COMPENSATION

The Company has various stock option plans for the Company's officers and key employees, as well as directors. The Company accounts for its various stock-based compensation as expense, recorded on the grant date only to the extent that the current market price of the underlying stock exceeds the exercise price on the grant date.

Under the employee plan, options may be granted to purchase up to 937,500 shares of the Company's common stock at a per share price of not less than 100% of fair market value at date of grant. Under the directors' plan, options are granted based on the level of directors' fees at a per share price of 50% of fair market value at date of grant. The employee and directors' options have a term of 10 years and are not subject to any vesting requirements. The weighted-average remaining contractual life on options outstanding at December 31, 2000 is four years. The weighted-average grant date fair value of options granted during 2000, 1999, and 1998 was $8.78, $16.19, and $15.81, respectively. A summary of options follows:

	2000		1999		1998	
	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	WE AV EX P
Shares under option	70,535	$ 4.41	91,544	$ 3.82	107,673	$
Options exercisable	70,535	4.41	91,544	3.82	107,673	
Options granted	17,541	4.13	8,736	7.44	8,949	
Options exercised	38,550	2.96	24,865	2.96	29,400	

In addition to the stock options described above, the Company has awarded nontransferable, restricted shares of Company common stock to various key executives under key executive restricted stock bonus plans. The market value of the common stock at the date of issuance is recorded as compensation expense using the straight-line method over the vesting period of the awards. The Company awarded 63,225, 29,298, and 23,258 shares of restricted stock under such plans during 2000, 1999, and 1998, respectively. The weighted-average grant date fair value of such shares was $7.04, $11.41, and $15.53, respectively. Aggregate compensation expense with respect to the foregoing restricted stock awards was $57,000, $308,000, and $252,000, in 2000, 1999, and, 1998, respectively.

In accordance with APB Opinion No. 25, $125,000, $373,000, and $320,000, in compensation expense has been recorded in 2000, 1999, and 1998, respectively, for the various stock option and restricted stock awards granted in 2000, 1999, and 1998. Had the Company determined compensation cost based on the fair value at the grant date for its stock options and restricted stock awards under SFAS No. 123, the Company's net income, basic net income per share, and diluted net income per share would have been reduced to the pro forma amounts indicated below:

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements
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	YEARS ENDED DECEMBER 31,		
	2000	1999	1998
Net income:			
As reported	$ 7,606,215	7,327,945	7,240,585
Pro forma	7,545,989	7,272,938	7,215,424
Basic net income per share:			
As reported	1.20	1.16	1.13
Pro forma	1.19	1.15	1.13
Diluted net income per share:			
As reported	1.18	1.14	1.10
Pro forma	1.17	1.13	1.10

The per share weighted-average fair value of stock options and restricted stock granted was estimated using an option pricing model with the following weighted-average assumptions: expected life of five years for options and seven years for restricted stock awarded in 1999 and 1998, and three years for restricted stock awarded in 2000, expected dividend yield of 2.10% for 2000 grants and 1.35% for all other years, risk-free interest rate of 5.0% for 2000, 5.50% for 1999, and 1998, and an expected volatility of 58% for 2000 grants, 52% for 1999 grants, and 67% for 1998 grants.

(9) STATUTORY FINANCIAL STATEMENTS

Accounting practices used to prepare statutory financial statements for regulatory filings of stock life insurance companies differ from GAAP. Material differences resulting from these accounting practices include: deferred policy acquisition costs, deferred Federal income taxes and statutory non-admitted assets are recognized under GAAP accounting; statutory investment valuation reserves are not recognized under GAAP accounting; premiums for universal life and investment-type products are recognized as revenues for statutory purposes and as deposits to policyholders' accounts under GAAP; different assumptions are used in calculating future policyholders' benefits; and different methods are used for calculating valuation allowances for statutory and GAAP purposes.

Net income and shareholders' equity, as reported to regulatory authorities in conformity with statutory accounting practices for each of the years in the three-year period ended December 31, 2000 is as follows:

	2000	1999	1998
Statutory net income	$ 8,109,372	2,686,569	3,071,087
Statutory shareholders' equity	$33,330,254	28,607,689	27,736,410

The Georgia Insurance Code limits dividends in any one year to the greater of statutory earnings, excluding realized capital gains, or 10% of statutory surplus, unless the expressed permission of the Georgia Insurance Department is obtained. Dividend payments to shareholders are further limited by the Georgia Insurance Code to unassigned statutory surplus, which at December 31, 2000 was approximately $29,000,000. The excess of retained earnings determined in accordance with GAAP over unassigned statutory surplus is not available for payment of dividends. The Company may pay a dividend amounting to approximately $8,100,000 in 2001 without approval.

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2000, 1999, and 1998

(10) LITIGATION

The Company is a defendant in various actions incidental to the conduct of its business. 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.

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2000, 1999, and 1998

(11) BUSINESS SEGMENTS

The Company's operations can be grouped into three major segments: (i) individual life insurance, (ii) guaranteed issue and simplified issue life insurance, and (iii) brokerage operations. These segments are differentiated primarily by their respective methods of distribution and the nature of related products, as the Company's operations in each segment are concentrated within its southeastern states geographic market. Individual life insurance products are distributed through the Company's multi-line exclusive agents, guaranteed issue and simplified issue products are distributed through independent agents as well as exclusive agents, and brokerage operations involve third party products distributed through the Company's exclusive and independent agents.

	2000	1999
Individual life insurance:		
Premiums	$ 17,816,354	16,653,463
Net investment income	9,403,578	8,837,008
Realized investment gains	160,104	254,052
Total revenue	27,380,036	25,744,523
Policyholder benefits	13,337,303	12,173,031
Operating expenses	7,103,512	7,525,275
Total benefits and expenses	20,440,815	19,698,306
Operating profit	6,939,221	6,046,217
Guaranteed and simplified life insurance:		
Premiums	8,106,634	5,843,177
Net investment income	540,200	316,301
Realized investment gains	9,670	9,093
Total revenue	8,656,504	6,168,571
Policyholder benefits	5,728,786	3,358,022
Operating expenses	2,368,914	1,616,158
Total benefits and expenses	8,097,700	4,974,180
Operating profit	558,804	1,194,391
Brokerage:		
Brokerage commissions	4,197,173	3,828,087
Net investment income	147,003	99,061
Realized investment gains	236,160	211,483
Total revenue	4,580,336	4,138,631
Operating expenses	1,154,992	1,086,777
Operating profit	3,425,344	3,051,854
Combined operating profit	10,923,369	10,292,462
Group life insurance and individual accident and health results	(70,097)	(109,127)
Income before Federal income taxes	$ 10,853,272	10,183,335

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INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS AND SHAREHOLDERS

COTTON STATES LIFE INSURANCE COMPANY:

We have audited the accompanying consolidated balance sheets of Cotton States Life Insurance Company and subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of earnings, shareholders' equity, cash flows, and comprehensive income for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cotton States Life Insurance Company and subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

/s/KPMG LLP
KPMG LLP
Atlanta, Georgia
February 21, 2001

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MANAGEMENT'S REPORT TO SHAREHOLDERS OF COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES

The accompanying consolidated financial statements for Cotton States Life Insurance Company and subsidiaries (the "Company") were prepared by management, which is responsible for the objectivity and integrity of these statements. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, where appropriate, are based on management's best estimates and judgements. Other financial data about the Company contained in this annual report is consistent with that presented in the consolidated financial statements.

The Company's consolidated financial statements have been audited by independent auditors, KPMG LLP. Their role is to audit the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and render an independent and professional opinion on management's consolidated financial statements. The auditors' report on the Company's consolidated financial statements appears on the previous page.

The Board of Directors, through its audit committee composed of outside directors, monitors management's financial reporting. The independent auditors have direct access to the audit committee and meet with the committee periodically to discuss the scope of each audit, the results of the audit and other matters which they believe should be brought to the committee's attention.

/s/ J. Ridley Howard	/s/ Roger W. Fisher	/s/ William J. Ba
J. Ridley Howard Chairman of the Board, President and Chief Executive Officer	Roger W. Fisher Senior Vice President Chief Financial Officer and Treasurer	William J. Barlow Vice President/Co and Assistant Tre

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QUARTERLY RESULTS

The following is a summary of the unaudited quarterly results of operations for the three years ended December 31, 2000.

2000 quarter ended	March 31	June 30	Septem
Premiums	$6,125,550	6,384,463	6,77
Net investment income, realized investment gains and brokerage income	$3,425,803	3,621,825	3,54
Total revenue	$9,551,353	10,006,288	10,31
Benefits and expenses	$7,127,072	7,056,698	7,35
Net income	$1,523,615	2,061,165	2,12
Basic income per share of common stock	$ .24	.32	
Diluted income per share of common stock	$ .24	.31	

1999 quarter ended	March 31	June 30	Septem
Premiums	$5,356,327	5,632,482	5,81
Net investment income, realized investment gains and brokerage income	$3,289,533	3,078,423	3,46
Total revenue	$8,645,860	8,710,905	9,27
Benefits and expenses	$6,829,999	6,316,498	6,55

Net income	$1,207,422	1,681,506	2,10
Basic income per share of common stock	$ .19	.26	
Diluted income per share of common stock	$ .19	.26	

1998 quarter ended	March 31	June 30	Septem
Premiums	$4,632,037	4,872,303	5,16
Net investment income, realized investment gains and brokerage income	$2,909,654	2,969,254	3,21
Total revenue	$7,541,691	7,841,557	8,37
Benefits and expenses	$5,305,058	5,655,469	5,63
Net income	$1,556,251	1,572,097	2,02
Basic income per share of common stock	$ .25	.25	
Diluted income per share of common stock	$ .24	.24	

Note - Failure of individual quarterly income per share to total annual income per share results from the computation of weighted average number of shares on an individual quarterly basis. Income per share amounts have been adjusted January 1998 three-for-two stock split.

The fourth quarter results for the three years include participation in federally sponsored group pools as follows:

	2000	1999	1998
Premiums	$766,213	667,688	672,153
Benefits	$751,279	660,555	662,918

See previous discussion on Results of Operations.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NONE.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

IDENTIFICATION OF DIRECTORS

The By-laws of the Company provide that the Board of Directors shall be divided into three classes with approximately one-third of the Board of Directors elected each year. Each director is elected to hold office for a term of three years or until his or her successor has been duly elected and has qualified or until he or she attains the age of 72.

TERMS EXPIRING 2001 ANNUAL MEETING - NOMINATED FOR RE-ELECTION

J. RIDLEY HOWARD
Director Since 1989
Age 53

Since 1998, Mr. Howard has been the Chairman of the Board of Directors of the Company, Mutual, CSI, CSMR and Shield. He has served as President and Chief Executive Officer since 1989. Mr. Howard held various other offices with the Company and its affiliates prior to January 1, 1989. Mr. Howard is a member of the Executive Committee of the Board of Directors of the Company.

CAROL D. CHERRY
Director Since 1996
Age 53

Since 1976, Ms. Cherry has been Chairman of the Board of Directors of Shop'n Chek, Inc., an international marketing service company providing clients with information relative to the verbal and physical presentation of their products and/or services at the retail level. From 1976 to 1998, Ms. Cherry was also the President of Shop'n Chek, Inc. Ms. Cherry also is a member of the Compensation Committee and the Investment Committee of the Board of Directors of the Company. Ms. Cherry also is a member of the Board of Directors of Mutual, CSI, and Cherry Convention Services, Inc.

DARRELL D. PITTARD
Director Since 2001
Age 52

Since November 2000, Mr. Pittard has been the Managing Partner, Chairman and Chief Executive Officer of Currahee Bridge Development, LLC, a mixed-use resort development on Lake Hartwell, Georgia. From January 2000 through November 2000, Mr. Pittard served as Executive Vice President, Branch Banking and Trust. From 1993 through 1999, Mr. Pittard was Chairman and Chief Executive Officer of Premier Bancshares. Mr. Pittard is also a member of the Board of Directors of Mutual, and Branch Banking and Trust Company, an affiliate of BB&T Corporation.

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TERMS EXPIRING 2002 ANNUAL MEETING

GAYLORD O. COAN
Director Since 1995
Age 65

Since 1995, Mr. Coan has been Chief Executive Officer of Gold Kist, Inc., where he also serves as the Chairman of the Management Executive Committee. Mr. Coan is Chairman of the Executive Committee and serves as a member of the Audit Committee and the Compensation Committee of the Board of Directors of the Company. Mr. Coan also is a member the Board of Directors of Mutual, SunTrust Banks of Georgia, Inc., SunTrust Bank, Atlanta, Archer-Daniels-Midland Company, and 1st Ag.

E. JENNER WOOD, III
Director Since 1991
Age 49

Since October 2000, Mr. Wood has been President, SunTrust Bank, Atlanta. Prior to his current position, Mr. Wood has been Executive Vice President, Trust and Investment Services, of SunTrust Banks, Inc., a position he held from October 1993 to October 2000. Mr. Wood was the Executive Vice President, Trust and Investment Management, of SunTrust Bank, Atlanta prior to October, 1993. Mr. Wood is Chairman of the Audit Committee and serves as a member of the Executive Committee of the Board of Directors of the Company. Mr. Wood also is a member of the Board of Directors of Mutual, CSI, Oxford Industries and Crawford & Company.

MATHEWS D. SWIFT
Director Since 1997
Age 53

Since 1998, Mr. Swift has been the President and Chief Operating Officer of W. C. Bradley Co., Real Estate Division and President of Developers-Investors, Inc., a subsidiary of W. C. Bradley Co. From 1986 to 1997, Mr. Swift was the Vice President and General Manager of W. C. Bradley Co., Real Estate Division. Mr. Swift serves as a member of the Audit Committee and the Investment Committee of the Board of Directors. Mr. Swift also is a member of the Board of Directors of Mutual, CSMR, Swift-Illges Foundation, Northstar Industries, Inc., and serves as a director of the Advisory Board of Columbus Bank & Trust Company, an affiliate of Synovus Financial Corporation.

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TERMS EXPIRING 2003 ANNUAL MEETING

ROBERT C. McMAHAN
Director Since 1987
Age 60

Since 1994, Mr. McMahan has been President and Chief Executive Officer of Golden Point Group, Inc. Mr. McMahan was President and CEO of Fernbank, Inc., d/b/a Fernbank Museum of Natural History through November, 1994. Mr. McMahan was Vice Chairman of First Union National Bank of Georgia through September 1993. Mr. McMahan was Chairman, Chief Executive Officer and a director of DF Southeastern Inc., prior to January 15, 1993 and of Decatur Federal Savings & Loan Association prior to March 1, 1993, and was President of each entity prior to

April, 1989. Mr. McMahan is Chairman of the Compensation Committee and serves as a member of the Executive Committee of the Board of Directors of the Company. Mr. McMahan also is a member of the Board of Directors of Mutual, CSMR, First Union National Bank of Georgia, Golden Point Group, Inc., Media Team Link, Inc., and Integration Solutions Group, LLC.

THOMAS A. HARRIS
Director Since 1995
Age 52

Since 1987, Mr. Harris has been the President and Chief Executive Officer of Merchant Capital Investments, Inc., a Montgomery, Alabama investment and merchant banking firm. Mr. Harris is Chairman of the Investment Committee and a member of the Executive Committee and the Audit Committee of the Board of Directors of the Company. Mr. Harris also serves on the Board of Directors of Mutual, Corral Southeast, and the Capital Partnership.

There are no family relationships among the directors or between any director and any executive officer of the Company. All directors have served continuously since their first election or appointment.

OTHER INFORMATION ABOUT THE BOARD AND ITS COMMITTEES

During 2000, the Board of Directors held four meetings. Each Director attended at least 75% of the aggregate meetings of the Board of Directors and meetings of committees of which he or she was a member. The Board of Directors has four standing committees. Certain information regarding the function of the Board's committees, and the number of meetings held by each committee during 2000 is presented below.

AUDIT COMMITTEE

The Audit Committee annually reviews and recommends to the Board of Directors the certified public accounting firm to be engaged as independent auditors of the Company for the next calendar year. Management is responsible for the Company's internal controls, financial reporting process and compliance with the laws and regulations and ethical business standards. The independent accountants are responsible for performing an independent audit of the financial statements and to issue a report thereon. The Committee's responsibility is to monitor and oversee these processes. Each member of the Audit Committee is independent, as such term is defined under applicable NASD rules. During 2000, the Audit Committee held three meetings.

COMPENSATION COMMITTEE

The Compensation Committee periodically reviews the compensation and other benefits provided to officers of the Company and advises the Board of Directors with respect to compensation for the officers of the Company. During 2000, the Compensation Committee held three meetings.

INVESTMENT COMMITTEE

The Investment Committee reviews the Company's investments and advises the Board of Directors with respect to such investments. During 2000, the Investment Committee held four meetings.

EXECUTIVE COMMITTEE

The Executive Committee is authorized to act on behalf of the Board of Directors on all matters that may arise between regular meetings of the Board of Directors upon which the Board of Directors would be authorized to act, including the nomination of directors. During 2000, the Executive Committee held five meetings.

IDENTIFICATION OF EXECUTIVE OFFICERS

The executive officers of the Company, their respective ages and all positions and offices with the Company held by each are as follows:

NAME	AGE	YEAR ELECTED AS AN OFFICER	POSITION OR OFFICE
J. Ridley Howard	53	1984	Chairman of the Board/President and Chief Executive Officer
Robert L. Fincher	58	1979	Senior Vice President
Roger W. Fisher	48	2000	Senior Vice President, Chief Fin
Norma Y. Christopher	51	1987	Vice President and Actuary

J. Ridley Howard was elected Chairman of the Board of Directors of the Company, Mutual, Shield, CSI, and CSMR, effective January 1, 2000. Mr. Howard continues to hold the offices of President and Chief Executive Officer of the Company, Mutual, Shield, CSI, and CSMR, which he has held since 1989.

Robert L. Fincher holds the office of Senior Vice President with the Company, Mutual and Shield, and has held that position during the previous five years.

Roger W. Fisher holds the office of Senior Vice President, Chief Financial Officer and Treasurer with the Company, Mutual, Shield, CSI, and CSMR, which he has held since April 2000. Mr. Fisher previously served as Senior Vice President at Horace Mann Educators Group from 1998 through March 2000. From 1995 through 1997, Mr. Fisher was Vice President-Controller at Horace Mann Educators Group.

Officers are elected at the meeting of the Board of Directors following the Annual Meeting of Shareholders to serve for one year or until their successors are elected.

ITEM 11. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

LONG T

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION(1) YEAR	SALARY	BONUS	RESTRICT STOCK AWAR
J. Ridley Howard	2000	$ 46,873	$104,700	$253,0
CEO	1999	42,370	83,723	203,0
	1998	32,400	115,255	205,1
Robert L. Fincher	2000	$ 26,818	$ 51,303	$ 79,0
Senior Vice President	1999	24,697	40,612	50,8
	1998	18,630	57,405	60,1
Roger W. Fisher(4)	2000	$ 16,548	--	$ 73,0
Senior Vice President,	1999	--	--	
CFO/Treasurer	1998	--	--	
Norma Y. Christopher	2000	$123,000	$ 21,987	$ 13,6
Vice President and Actuary	1999	117,500	18,744	10,8
	1998	111,000	24,920	11,7

(1) The salaries of certain executive officers of the Company are prorated among the Company, Mutual and Shield, based upon the premium income of each entity. Ms. Christopher's compensation is allocated entirely to the Company. Total compensation of the Company's executive officers for 2000 from all affiliated corporations was $1,619,938 of which the Company paid $713,206.

(2) The aggregate restricted stock holdings at the end of 2000 for Messrs. Howard, Fincher, and Fisher were 63,656 18,581, and 17,386 shares with values of $732,042, $213,681, and $199,939 respectively, based upon the value of the Company's Common Stock at December 31, 2000. Dividends on stock awards are paid at the same rate as paid to all share owners.

(3) This amount equals the Company's 401(k) matching contribution, which is allocated on the same prorated basis as salaries.

(4) Mr. Fisher joined the Company in April 2000.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND
FISCAL YEAR END OPTION VALUES

The following table shows stock options exercised by the named executive officer during 2000, including the aggregate value of gains on the date of exercise. In addition, this table includes the number of shares covered by both exercisable and non-exercisable options as of December 31, 2000. Also reported are the values for "In-the-Money" options, which represent the positive spread between the exercise price of any such existing options and the year end price of the Common Stock of the Company.

NUMBER OF

NAME	NUMBER OF SHARES ACQUIRED ON EXERCISE	VALUE REALIZED UPON EXERCISE	SECURITIES UNDERLYING UNEXERCISED OPTIONS AT 12/31/00 EXERCISABLE/ UNEXERCISABLE	V UN IN- OPT 12 EXE UNEX
J. Ridley Howard	10,769	$ 52,256	0/0	$
Robert L. Fincher	22,887	$ 111,059	0/0	$
Roger W. Fisher	0	$ 0	0/0	$
Norma Y. Christopher	4,894	$ 23,748	0/0	$

COMPENSATION PURSUANT TO PLANS

PENSION PLAN

The Company is a participating employer in the Cotton States Employee Retirement Income Plan (the "Plan"), which is a qualified pension plan sponsored jointly with Mutual. The Plan covers all of the Company's salaried employees.

The Plan provides a retirement income benefit at age 65 which is based on the employee's number of years of service (maximum 35 years) and average earnings during the five consecutive years (in the last ten years of employment) in which the earnings are highest. Age 65 retirement benefit is derived as the sum of (i) the product of the number of years of service times 85% of average earnings and (ii) the product of the number of years of service times 55% of "excess average earnings." Excess average earnings is the amount, if any, by which the average earnings for a participant exceeds the 35 year average maximum social security taxable wage base for all persons born in the same year as the participant. The Plan also provides an early retirement benefit after age 55, with no reduction in benefit entitlement due to age, when the sum of the employee's age and years of credited service equals or exceeds 80. If the employee has not obtained 80 points at retirement, the benefits are reduced 5% for each year the retiree's age is less than 65. The Plan also contains a death benefit for the surviving spouse of an employee (who had at least five years of credited service) which is equal to 50% of the deceased employee's accrued benefit. If the death occurs after termination from employment and prior to an early retirement date, the spouse's benefit is reduced as for early retirement income benefits. Accrued benefits under the Plan vest after the employee accrues five years of service.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

The Company adopted the Cotton States Supplement Executive Retirement Plan ("SERP") effective January 1, 1992 in order to provide for a supplement pension plan to replace pension benefits which were affected as a result of amendments to the Internal Revenue Code of 1986, as amended ("IRC").

The SERP is an agreement between the Company and employees meeting the qualification provisions of the SERP in which the Company provides benefits in excess of the limitations on benefits imposed by the IRC regarding highly compensated employees. The SERP also replaces the pension accruals set forth under the Plan as a result of the new benefit formulas mandated by the IRC which resulted in amendments to the Plan. The SERP incorporates all of the terms and conditions of the Plan and future amendments to the Plan.

The following table sets forth the estimated annual benefits payable upon retirement at age 65 under the plans.

PENSION PLAN AND SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
INCOME ANNUAL BENEFITS PAYABLE UPON RETIREMENT AT AGE 65

FINAL AVERAGE REMUNERATION FROM THE COMPANY AND MUTUAL FOR THE HIGHEST FIVE YEARS	YEARS OF SERVICE WITH THE COMPANY AND MUTUAL			
	15	20	25	30
$125,000	27,128	36,171	45,213	54,256
$150,000	33,378	44,504	55,630	66,756
$175,000	39,628	52,837	66,047	79,256
$200,000	45,878	61,171	76,463	91,756
$225,000	52,128	69,504	87,880	104,256
$250,000	58,378	77,837	97,297	116,756
$300,000	70,878	94,504	118,130	141,756
$350,000	83,378	111,171	139,963	166,756
$400,000	95,878	127,837	159,797	191,756
$450,000	108,378	144,504	180,630	216,756
$500,000	120,878	161,171	201,463	241,756

The benefits reflected in the preceding table are in addition to an employee's social security benefits. The Company has allocated its proportionate share of retirement costs for the officers it shares with Mutual and Shield.

Officers named in the summary Compensation Table have been credited with the following years of service: J. Ridley Howard, 19 years; Roger W. Fisher, 1 year; Robert L. Fincher, 39 years; and Norma Y. Christopher, 13 years.

The estimated annual retirement benefits under the plans for all executive officers of the Company as a group from the participating companies aggregate $362,456. This estimate assumes no change from 2000 salaries, retirement at age 65, and continuous employment with the Company. Estimated annual retirement benefits under the plans attributable solely to service with the Company cannot be stated due to the allocation of service and compensation among the Company and its affiliates.

The Company is allocated its proportionate share of retirement costs for the officers it shares with Mutual and Shield.

INCENTIVE SAVINGS PLAN

The Company participates in the Cotton States Incentive Savings and Investment 401(k) Plan (the "401(k) Plan"). The 401(k) Plan is a qualified savings incentive plan sponsored by the same companies that sponsor the Company's Plan. The 401(k) Plan is open to all employees who have completed one year of service and have reached their twenty-first birthday. Eligible employees may contribute from 2% to 10% of their compensation to the 401(k) Plan. The Company makes its matching contribution based only on the first 6% of an employee's compensation, which is not to exceed a maximum contribution of $10,500 per employee. The match is based on the return on equity of the sponsoring companies. The Company's contribution will not be less than 20% nor more than 60% of the employees contribution eligible for matching. Employees are fully vested in the Company's contribution after five years of service. Employees are not permitted to withdraw their account before age 59 1/2 except in the event of death, disability, termination of employment or financial hardship.

INCENTIVE STOCK OPTIONS

The Company has a qualified incentive stock option plan for its officers and key employees and those of its subsidiaries, CSI and CSMR (the "ISO Plan"). During 2000, no options were granted under the ISO Plan.

During 2000, 38,550 options were exercised pursuant to the ISO Plan. At December 31, 2000, there were no options outstanding.

DIRECTORS' DISCOUNTED STOCK OPTION PLAN

The Company has a Directors' Discounted Stock Option Plan (the "DSOP"). The DSOP is designed to assist the Company in attracting, retaining and compensating highly qualified individuals who are not employees of the Company for service as members of the Board and to provide them with a proprietary interest in the common stock of the Company. The Board believes the DSOP will be beneficial to the Company and its shareholders by encouraging and enabling non-employee directors to have a personal financial stake in the Company, in addition to emphasizing their common interest with the shareholders in increasing the value of the common stock of the Company in the long term.

The DSOP provides for automatic yearly grants of options to purchase shares of common stock of the Company to each director who elects to participate in the DSOP. Each director who is not an employee of the Company or any of its subsidiaries or affiliates may participate by filing with the Company an irrevocable election to receive the grant of a stock option in lieu of part or all of the fees which the director would have been entitled to receive for the immediately preceding year for his or her service on the Board. Options will be granted automatically on the date of the annual meeting of the Board as to any director who, prior to the date of such annual meeting, has filed with the Company an irrevocable election to participate in the DSOP.

The number of shares of common stock of the Company subject to each option granted to a director shall be determined by dividing (i) the director's fee due to a director, by (ii) the fair market value of the common stock of the Company on the date of grant, minus the option exercise price. The fair market value of the common stock of the Company under the DSOP shall be the closing price as reported on the Nasdaq National Market and the option exercise price for each option granted shall be 50% of the fair market value, to be paid in cash by the director upon exercise. All options granted under the DSOP will expire ten years after the date of grant, subject to DSOP provisions relating to the retirement of the director because of death, disability, or age. That portion of an option granted under the DSOP which is attributable to any portion of the directors' fees which is not earned due to termination as a director, shall automatically abate and be canceled. In the event of the death of the holder of any unexercised option, all of the holder's outstanding options will become immediately exercisable upon the date of death by his or her legal representative. No option may be exercised under the DSOP before the 12 month anniversary of the date of grant.

A total of 281,250 shares of Company common stock is reserved for issuance under the DSOP (subject to adjustment for subsequent stock splits, stock dividends and certain other changes in the common stock of the Company). The Company has granted 56,118 options under the DSOP, including 17,541 options to be granted automatically at the 2001 Annual Meeting. Upon the exercise of an option, the Company will issue authorized but previously unissued shares.

If an option issued under the DSOP is terminated or canceled without having been exercised, the shares which were not purchased thereunder will again become available for issuance under the DSOP.

Adjustments will be made in the number of shares subject to the DSOP and in the purchase price of outstanding options in the event of any change in the number of shares of common stock of the Company outstanding as a result of a stock split or stock dividend, recapitalization, merger, consolidation, or other similar corporate change.

PERFORMANCE SHARE AWARDS PLAN

The Company has a Performance Share Awards Plan (the "PAR Plan"). The PAR Plan is designed to reward employees of the Company, its subsidiaries and affiliates for services performed on behalf of the Company, to stimulate employees' efforts on behalf of the Company, to encourage such employees to remain with the Company, and to provide them with an ownership interest in the common stock of the Company. The Board believes the PAR Plan will be beneficial to the Company and its shareholders by encouraging and enabling employees to have a personal financial stake in the Company.

The PAR Plan authorizes the Compensation Committee of the Board of Directors to grant awards of shares of common stock of the Company to employees of the Company designated by the Compensation Committee. The Compensation Committee may grant performance share awards in shares of the common stock if the performance of the Company, or any subsidiary, division or affiliate of the Company selected by the Compensation Committee meets certain goals established by the Compensation Committee during an award period. The Compensation Committee would determine the goals, the maximum payment value of an award, and the length of an award. In order to receive payment, a recipient of a performance share award must remain in the employ of the Company until the completion of the award period.

An aggregate of 281,250 shares of common stock of the Company are subject to the PAR Plan. Adjustments will be made in the number of shares subject to an award in the event of any change in the number of shares of common stock outstanding as a result of a stock split or stock dividend, recapitalization, merger, consolidation, or other similar corporate change. The Company has granted 211,870 shares under the PAR Plan of which 0 vested in 2000. In the event of a change of control of the Company, as defined in the PAR Plan, all awards granted prior to the change of control shall immediately vest and the shares subject to the award shall be issued to the recipient of the award.

Awards granted under the PAR Plan provide the recipients with the right to acquire shares of Common Stock as follows:

NUMBER OF SHARES	DATE GRANTED	EARLIEST VESTING	LATEST VESTING
23,256	2/25/98	2/23/01	2/23/05
29,298	2/24/99	2/24/02	2/24/06
63,225	2/22/00	2/23/03	2/23/07

As of December 31, 2000, the following executive officers had been granted awards to receive shares pursuant to the PAR Plan:

NAME 1	NUMBER OF SHARES VESTED INCLUDING DIVIDENDS	NUMBER OF SHARES UNVESTE
J. Ridley Howard	0	63,656
Robert L. Fincher	0	18,581
Roger W. Fisher	0	17,386
Norma Y. Christopher	0	3,480

OTHER COMPENSATION

Each executive officer is provided the use of one automobile by the Company, Mutual and Shield, but is required to reimburse the Company, Mutual and Shield for the personal use of the automobile. Officers are reimbursed for club dues. The Company, Mutual and Shield are allocated these expenses under the same formula on which salaries are prorated. The total cost of these expenses does not exceed 10% of any executive officer's salary and bonus compensation.

COMPENSATION OF DIRECTORS

During 2000, no director of the Company received any remuneration from the Company in his capacity as a director except for fees, or options to receive common stock in lieu of fees pursuant to the DSOP, and reimbursement for expenses incurred in connection with attending directors' and committee meetings. No director received cash compensation in excess of $23,600 for his services as a director during 2000. Each director, other than J. Ridley Howard is paid an annual stipend of $7,000. Mr. Howard did not receive an annual stipend in 2000. In addition, each director was paid $850 plus travel expenses for each meeting of directors and $700 for each committee meeting of directors attended. Each committee member, other than J. Ridley Howard, receives an additional $1,400 as an annual stipend and each committee chairman receives $2,000 as an annual stipend. The aggregate directors' fees for 2000 totaled $171,390. There were no retirement benefits accrued or set aside during the year for any director for his services as director. Upon reaching the mandatory retirement age of 72, directors of the Company become directors emeritus and receive stipends ranging from $600 to $11,000 annually for periods ranging from 15 years to life after the date of retirement. In February, 2000, the Board of Directors eliminated the retirement stipends for any director retiring after that date.

In addition to the director compensation payable by the Company as disclosed above, directors who are not employees of the Company are eligible to participate in the Directors' Discounted Stock Option Plan ("DSOP") which was approved by the shareholders of the Company at the 1996 annual meeting. The DSOP, which is administered by the Compensation Committee, permits the grant of stock options to directors of the Company who are not employees of the Company at an exercise price less than market value at the date of grant as an alternative to the payment of retainer and meeting fees in cash to the directors. Fractional shares are paid in cash. During 2000, directors of the Company deferred fees in exchange for remuneration in the form of stock options in lieu of cash as follows:

NAME	FEES DEFERRED	OPTION PRICE PER SHARE	OPTIONS TO BE GRANTED
Cherry, Carol D	$ 9,050	$4.313	2,259
Coan, Gaylord O	$ 22,900	$4.313	5,307
Harris, Thomas A	$ 11,800	$4.313	2,733
McMahan, Robert C	$ 20,100	$4.313	4,983
Swift, Mathews D	$ 9,050	$4.313	2,259

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee of the Board of Directors during the fiscal year were Messrs. McMahan and Coan and Ms. Cherry. None of these directors are or have been officers or employees of the Company or its subsidiaries. No executive officer of the Company serves on the board of any other company other than an affiliate of the Company.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The table below sets forth certain information about persons or entities known by the Company to own beneficially more than 5% of the Company's common stock, as of December 31, 2000. Except as noted below, the Company believes that each of the persons or entities listed has sole investment and voting power with respect to the shares included in the table.

NAME AND ADDRESS	NUMBER OF SHARES OWNED(1)	PER OF
Shield Insurance Company 244 Perimeter Center Parkway Atlanta, Georgia 30346	2,102,385(2)	

Marvin Schwartz 605 Third Avenue New York, New York 10158	477,982
Fidelity Management & Research Company, a wholly owned subsidiary of FMR Corporation 82 Devonshire Street Boston, Massachusetts 02109	572,300

(1) Under the rules of the U. S. Securities and Exchange Commission, a person is deemed to be beneficial owner of a security if he or she has or shares the power to vote or to direct the voting of such security, or the power to dispose or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities that such a person has the right to acquire beneficial ownership of within 60 days as well as any securities owned by such person's spouse, children or relatives living in the same household. Accordingly, more than one person may be deemed to be a beneficial owner of the same securities.

(2) Shield is a wholly owned subsidiary of Mutual. The Board of Directors of Mutual is identical to the Board of Directors of the Company.

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SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth certain information about beneficial ownership of the Company's common stock of each director and executive officer of the Company and directors and officers as a group as of December 31, 2000. All shares are owned outright without shared voting and investment power except as set forth below.

NAME OF BENEFICIAL OWNER: DIRECTORS	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CL
Carol D. Cherry	675(1)	*
Gaylord O. Coan	500(2)	*
Thomas A. Harris	5,187(3)	*
J. Ridley Howard	81,994(4)	1.3
Robert C. McMahan	2,109(5)	*
Darrell D. Pittard	1,000	*
Mathews D. Swift	875(6)	*
E. Jenner Wood, III	1,405	*
EXECUTIVE OFFICERS		

Robert L. Fincher	32,459(7)	*
Roger W. Fisher	10,000(8)	*
Norma Y. Christopher	16,503(9)	*
ALL EXECUTIVE OFFICERS AND DIRECTORS AS A GROUP (10) (15 persons)	166,134	2.6

(*) Less than 1% not applicable

(1) Does not include options to acquire 4,628 shares previously granted or options to acquire 2,259 shares to be granted automatically at the 2001 Annual Meeting under the DSOP.

(2) Does not include options to acquire 13,056 shares previously granted or options to acquire 5,307 shares to be granted automatically at the 2001 Annual Meeting under the DSOP.

(3) Does not include options to acquire 8,157 shares previously granted or options to acquire 2,733 shares to be granted automatically at the 2001 Annual Meeting under the DSOP.

(4) Does not include 63,656 shares plus accrued dividends awarded under the PAR Plan that have not vested.

(5) Does not include options to acquire 8,911 shares previously granted or options to acquire 4,983 shares to be granted automatically at the 2001 Annual Meeting under the DSOP.

(6) Does not include options to acquire 3,825 shares preciously granted or options to acquire 2,259 shares to be granted automatically at the 2001 Annual Meeting under the DSOP.

(7) Does not include 18,581 shares plus accrued dividends awarded under the PAR Plan that have not vested.

(8) Does not include 17,386 shares plus accrued dividends awarded under the PAR plan that have not vested.

(9) Does not include 3,480 shares plus accrued dividends awarded under the PAR plan that have not vested.

(10) Does not include 115,779 shares plus accrued dividends awarded under the PAR Plan that have not vested which would increase the percentage of outstanding shares for all officers and directors as a group to 4.4%. Also does not include options to acquire 38,578 shares previously granted or options to acquire 17,541 shares to be granted automatically at the 2001 Annual Meeting under the DSOP.

CHANGES IN CONTROL

None.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

TRANSACTIONS WITH MANAGEMENT AND OTHERS

Shield, which is wholly owned by Mutual, owns 2,102,385 shares or 33.1% of the outstanding common stock of the Company. See Item 12.

Certain general expenses are allocated to the Company by Mutual. These expenses such as salaries, advertising, rents, and related expenses, represent the Company's share of expenses initially paid by Mutual and are allocated based on specific identification or, if indeterminable, generally on the basis of each company's premium income. Expenditures allocated to the Company amounted to $3,386,739 in 2000. See Item 1.

Gaylord O. Coan, a director of the Company, is CEO of Gold Kist, where he also serves as the Chairman of the Management Executive Committee. Gold Kist owns no stock of the Company. The Company shares offices with Mutual and Shield in a building owned by a partnership of Mutual and Gold Kist. The Company is not a partner in the partnership which owns the building and has no equity interest in the building.

Gaylord O. Coan, a director of the Company, serves as a director of SunTrust Banks, Inc. E. Jenner Wood, III, a director of the Company, serves as an executive officer of SunTrust Bank, Atlanta. SunTrust Banks, Inc. received fees from the Company in 2000 for services rendered as the transfer agent of the Company. SunTrust Bank, Atlanta, a subsidiary of SunTrust Banks, Inc., received fees from the Company in 2000 for investment and custodial services and leases of computer hardware.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

FINANCIAL STATEMENTS

The following consolidated financial statements and independent auditors' report are incorporated by reference to Part II, Item 8 of this report:

Independent Auditors' Report
Consolidated Balance Sheets, December 31, 2000 and 1999
Consolidated Statements of Earnings, Years ended December 31, 2000, 1999 and 1999
Consolidated Statements of Shareholders' Equity, Years ended December 31, 2000, 1999 and 1998
Consolidated Statements of Cash Flows, Years ended December 31, 2000, 1999 and 1998
Consolidated Statements of Comprehensive Income, Years ended December 31, 2000, 1999 and 1998
Notes to Consolidated Financial Statements

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FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statement schedules and independent auditors' report thereon are included herein:

Independent Auditors' Report on Financial Statement Schedules

Schedule I - Consolidated Summary of Investments, December 31, 2000
Schedule IV - Reinsurance, Years ended December 31, 2000, 1999 and 1998
Schedule V - Supplementary Insurance Information, Years ended December 31, 2000, 1999 and 1998

All other schedules are omitted as the required information is inapplicable, or the information is presented in the consolidated financial statements or related notes.

EXHIBITS

3.1 Amended and Restated Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994, File No. 95074277).

3.2 Bylaws, as amended, of the Registrant (incorporated by reference to Exhibit 3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994, File No. 95074227).

10.1.1 Amended and Restated Directors' Discounted Stock Option Plan (incorporation by reference to Exhibit 10.1.1 to the Registrant's Annual Report on form 10-K for the year ended December 31, 1999, File No. 2-39729).

10.2 Performance Shares Awards Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-8, Registration No. 333-00795).

10.3.1 Amended and Restated 1983 Incentive Stock Option Plan (incorporated by reference to Exhibit 10.3.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, File No. 2-39729).

10.3.2 Form of Incentive Stock Option Agreement pursuant to the 1983 Incentive Stock Option Plan (incorporated by reference to Exhibit 10.3.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, File No. 2-39729).

21. Subsidiaries of the Registrant.

All other exhibits are omitted as the required documents are inapplicable.

REPORT ON FORM 8-K

No report on Form 8-K was filed for the fourth quarter of 2000.

THE BOARD OF DIRECTORS AND SHAREHOLDERS
COTTON STATES LIFE INSURANCE COMPANY

Under date of February 21, 2001, we reported on the consolidated balance sheets of Cotton States Life Insurance Company and subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of earnings, shareholders' equity, cash flows, and comprehensive income for each of the years in the three year period ended December 31, 2000, as contained in the 2000 annual report to shareholders. Those consolidated financial statements and our report thereon are included in the annual report on Form 10-K for the year 2000. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related financial statement schedules as listed in Item 14. The financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/KPMG LLP
KPMG LLP
Atlanta, Georgia

February 21, 2001

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SCHEDULE I

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED SUMMARY OF INVESTMENTS
DECEMBER 31, 2000

Type of Investments	Cost	Fair Value
Fixed maturities, held for investment:		
Bonds:		
United States government and government agencies and authorities	$ 1,499,749	1,501,
Foreign governments	1,997,221	2,030,
Public utilities	3,345,212	3,336,
All other corporate bonds	8,214,910	8,345,
Total fixed maturities held for investment	15,057,092	15,213,
Fixed maturities, available for sale:		
Bonds:		
United States government and government agencies and authorities	26,789,267	27,198,
Foreign governments	2,870,498	3,049,
Public utilities	15,472,632	15,007,
All other corporate bonds	74,680,650	71,328,
Total fixed maturities available for sale	119,813,047	116,584,
Equity securities	3,671,233	3,776,

First mortgage loans on real estate	2,097,616	2,126,
Policy loans	8,841,008	8,841,
Short-term investments	3,538,856	3,538,
Other investments	1,000,000	1,000,
Total investments	$ 154,018,852	151,080,

See accompanying independent auditors' report.

SCHEDULE IV

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES
REINSURANCE
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

	GROSS AMOUNT	CEDED TO OTHER COMPANIES	ASSUMED FROM OTHER COMPANIES(1)
YEAR ENDED DECEMBER 31, 2000			
Life insurance in force	$4,794,431,000	1,251,895,000	780,840,000
Premiums:			
Life insurance	30,194,291	4,264,239	766,213
Accident/health insurance	151,733	31,475	--
Total	$ 30,346,024	4,295,714	766,213
YEAR ENDED DECEMBER 31, 1999			
Life insurance in force	$4,444,114,000	1,113,206,000	733,058,000
Premiums:			
Life insurance	$ 26,382,782	3,886,199	667,688
Accident/health insurance	171,334	33,508	--
Total	$ 26,554,116	3,919,707	667,688
YEAR ENDED DECEMBER 31, 1998	$4,130,933,000	1,013,619,000	725,749,000

Life insurance in force			
Premiums:			
Life insurance	$ 22,636,479	3,507,295	672,153
Accident/health insurance	177,517	43,500	--
Total	$ 22,813,996	3,550,795	672,153

(1) All reinsurance assumed results from participation in Federally sponsored group pools.

See accompanying independent auditors' report.

SCHEDULE V

COTTON STATES LIFE INSURANCE COMPANY AND SUBSIDIARIES
SUPPLEMENTARY INSURANCE INFORMATION
DECEMBER 31, 2000 AND 1999

	DEFERRED POLICY ACQUISITION COSTS	FUTURE POLICY BENEFITS	POLICY CLAIMS AND BENEFITS PAYABLE
Segment			
At December 31, 2000			
Individual	$ 46,856,705	132,612,776	2,083,581
Group	--	41,811	214,643
Total	$ 46,856,705	132,654,587	2,298,224
At December 31, 1999			
Individual	$ 41,263,817	122,562,510	1,249,914
Group	--	43,467	205,163
Total	$ 41,263,817	122,605,977	1,455,077

See accompanying independent auditors' report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

J. Ridley Howard 02/21/01	Roger W. Fisher 02/21/01	Willi
DATE	DATE	
Chairman of the Board of Directors/ President and Chief Executive Officer	Senior Vice President Chief Financial Officer and Treasurer	Vice and A

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Carol Cherry	02/21/01	Robert McMahan
Director	DATE	Director
Gaylord Coan	2/21/01	Darrell Pittard
Director	DATE	Director
Thomas Harris	02/21/01	Mathews Swift
Director	DATE	Director
J. Ridley Howard	02/21/01	Jenner Wood, III
Director	DATE	Director