

Best's Rating Report



AMERICAN NATIONAL INSURANCE COMPANY

Galveston, Texas



A

Ultimate Parent: American National Insurance Company

AMERICAN NATIONAL INSURANCE COMPANY

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AMB#: 006087

Ultimate Parent#: 006087

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NAIC#: 60739

FEIN#: 74-0484030

Publicly Traded Corporation: American National Ins Co
NASDAQ: ANAT

BEST'S CREDIT RATING

Best's Financial Strength Rating: A

Best's Financial Size Category: XV

Outlook: Stable

RATING RATIONALE

The following text is derived from A.M. Best's Credit Report on American National Group (AMB# 070166).

Rating Rationale: The ratings of American National Insurance Company (American National), the lead operating and holding company and the ultimate parent of American National Group (ANG), reflect its continued profitable GAAP and statutory earnings, including improved property and casualty operating results, more than adequate level of risk-adjusted capitalization on a consolidated basis as well as at individual entities, diversified business and geographic presence, modest financial leverage, and good risk management programs across the enterprise with a focus on sustaining solid capitalization

and underwriting performance. Offsetting factors include concentration in interest-sensitive reserves from its historical sales of fixed annuities, a decrease in overall statutory direct premiums written mainly due to planned decreases in annuity sales, and an increased level of commercial mortgages relative to its statutory capital and surplus funds.

Through its diverse business platform encompassing five operating business segments, including its presence in non-insurance business lines, American National represents the lead company within ANG. ANG's diversified business profile provides a good competitive advantage, which has been supported by its multiple distribution channels and broad product offerings that focus on life, annuity, health, and property/casualty businesses. ANG's operating results improved on a GAAP basis, although a slight decrease was reported on a statutory basis mostly due to the new business strain associated with term life sales. ANG also maintains a good level of risk-adjusted capitalization that is more than sufficient to support its insurance and business risks. ANG's admitted and invested assets have consistently grown on an annual basis driven by its fixed annuity-based asset expansion and more recently by growth in its life insurance business. Its consolidated operating results were positively impacted by the property and casualty operations due to its restructured operational strategy to mitigate the impact of CAT events that the company faces on an ongoing basis.

A.M. Best notes that despite its diversified business platform, sustaining a trend of stable earnings is a challenge for the organization, although largely improved in recent years. Property/casualty results remain potentially volatile due to exposure to catastrophic event risks and the soft insurance marketplace in the property/casualty business. The continued low interest rate environment exposes American National to spread compression risk, since the company holds large interest-sensitive fixed annuity reserves. American National's concentration in interest-sensitive products has experienced a recent decline due to the intentional control of annuity production. American National maintains higher than average historical allocation to commercial mortgage loans, unaffiliated equities, and real estate investments relative to the company's adjusted capital and surplus

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funds, which could potentially impact its investment performance should the economy weaken further in the U.S. However, A.M. Best also notes that the company's commercial mortgage loan portfolio has generally performed well despite the weak real estate markets and has enabled American National to earn good returns.

Key rating factors that could result in positive rating actions include the continued management of product diversification including more creditworthy business, an improved credit profile of operating subsidiaries and maintenance or improvement in risk-adjusted capitalization. Key rating factors that could result in a negative rating action include a material decrease in risk-adjusted capitalization, profitability below A.M. Best's expectations, and further concentration within interest-sensitive products.

FIVE YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
06/13/14	A	06/24/11	A
06/14/13	A	05/20/10	A
06/21/12	A		

KEY FINANCIAL INDICATORS (\$000)

Year	Assets	Total Capital				
		Capital Surplus Funds	Asset Valuation Reserve	Net Premiums Written	Net Invest Income	Net Income
2009	15,359,313	1,892,467	295,523	2,630,028	699,934	53,888
2010	16,438,191	1,954,149	339,357	2,020,976	759,509	129,882
2011	17,390,041	2,000,551	366,133	2,180,614	831,379	176,880
2012	17,787,333	2,260,268	390,271	1,340,470	835,309	193,739
2013	18,036,218	2,667,858	406,623	1,146,269	792,619	149,129

(*) Within several financial tables of this report, this company is compared against the Multiple Lines Composite.

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

CORPORATE OVERVIEW

American National Insurance Company (American National), a life and health insurance company domiciled in Texas, is the lead company in the American National Group (ANG), which offers a broad range of insurance products including individual and group life, health, annuities, credit and property/casualty insurance for personal lines, agribusiness and targeted commercial exposures through its many life, health and property/casualty insurance subsidiaries. American National also offers variable products. American National's executive offices and administrative records are located in Galveston, Texas. The group's operations are conducted primarily through six life insurance companies, eight property/casualty companies, and fourteen non-insurance companies. American National is a closely held organization. The Moody interests of Galveston, Texas own 60% of the group's outstanding stock through the Moody Foundation and the Libbie Shearn Moody Trust. ANG is licensed in all states, the District of Columbia, Puerto Rico, Guam and American Samoa.

CORPORATE STRUCTURE

AMB#	COMPANY NAME	DOMICILE	% OWN
006087	American National Ins Co	TX	
010255	American National County Mut	TX	
051072	American Nat'l Life Hldgs Inc	NV	100.00
060708	American National Life Ins NY	NY	100.00
007417	American Nat'l Life Ins Texas	TX	100.00
006436	Garden State Life Ins Co	TX	100.00
007070	Standard Life and Accident Ins	TX	100.00
058905	American Nat'l Prop & Cas Hldgs	NY	100.00
003533	Amer Nat Prop & Cas Co	MO	100.00
002803	American Nat'l General Ins Co	MO	100.00
050237	ANPAC Lloyds Ins Mgmt Inc	TX	100.00
011700	American Nat'l Lloyds Ins Co	TX	
012472	ANPAC Louisiana Insurance Co	LA	100.00
012411	Pacific Property & Casualty Co	CA	100.00
000362	Farm Family Casualty Ins Co	NY	100.00
006365	Farm Family Life Ins Co	NY	100.00
010701	United Farm Family Ins Co	NY	100.00

BUSINESS PROFILE

The following text is derived from A.M. Best's Credit Report on American National Group (AMB# 070166).

American National Insurance Company (American National) offers a broad range of insurance products including individual and group life, health, annuities, credit and property/casualty insurance for personal lines, agribusiness and targeted commercial exposures as well as variable products. ANG has expanded upon its original Home Service and Multiple Line distribution channels through relationships with several organizations aiming to serve upper-income individuals, banking customers, and seniors through both retail and wholesale channels. ANG has established an infrastructure to support and service the distributor and the customer across its various marketing lines to stimulate profitable growth and expand its markets. Additionally, in monitoring the profitability of product lines, ANG has made decisions to exit certain product lines including - major medical and long-term care markets. A.M. Best believes that the company's strategies contribute to the growth of its core business lines over the long term; however, the highly competitive health market with low-cost and well-established players poses a significant challenge. The group's newest subsidiary, American National Life Insurance Company of New York (ANICONY) began selling annuities and life insurance during 2010.

ORGANIZATION: ANG offers its products through five marketing channels: Multiple Line Division, Career Sales & Service Division, Independent Marketing Group /Direct Marketing, Credit Insurance, and Health/Senior Age Marketing. Standard Life and Accident Insurance Company (SLA) and Garden State Life Insurance Company (GSL) subsidiaries specialize in senior age and direct life insurance, respectively. SLA underwrites life insurance, annuities and supplemental health policies, including Medicare Supplement for seniors. GSL's sales are gradually being transferred to the lead operating company with the exception of New York sales, which are moving to ANICONY. Farm Family companies (FF) primarily market insurance in farming communities and provide additional distribution to the Multiple Line Division. American National Life Insurance Company of Texas (ANTEX) underwrites health insurance; however, continued losses led to a discontinuation of its group and individual major medical businesses. Property/casualty insurance is offered through several subsidiaries of American National.

The MULTIPLE LINE DIVISION (MLD), which primarily markets personal lines and agribusiness property/casualty products, also offers ANG's life, annuity and health products through its dedicated agency force. MLD has emphasized increasing life insurance sales to existing property/casualty customers, which has shown exceptional results. In addition, these agents are trained to sell variable products. Pension and specialty property/casualty products are also offered in this division. MLD's agency force sells protection and accumulation products with an average life policy face amount of over \$100,000. The company is encouraging multiple line sales through a specialized compensation structure that emphasizes cross-selling within this market. This approach is designed to generate higher persistency, enhanced customer loyalty and affinity, and provide a higher level of profitability.

The CAREER SALES & SERVICE DIVISION'S (CSSD) marketing activities are concentrated in American National, offering individual life insurance, annuities and supplemental health insurance through a career agency system. The division serves the middle income market, concentrated in Texas and California. CSSD's health line focuses on dread disease and accidental death and dismemberment (AD&D) policies. CSSD's life inforce has shown modest growth in recent years. New sales of individual major medical coverages were discontinued several years ago, but some in-force premium still exists. In recent years, the division has successfully focused on expense management and maintaining the level of earned premiums.

The INDEPENDENT MARKETING GROUP (IMG) continues to grow its premium, primarily in annuity sales, through multiple distribution channels including financial institutions, large marketing companies, employee benefit firms, broker/dealers, and independent insurance brokers and agents. IMG offers life insurance, annuities, and pension products to small business owners and individual consumers seeking wealth management and protection. Product line expansion and value-added services, backed by advertising, are used to attract new distributors. The product portfolio includes variable products in addition to traditional and universal life. Value-added services attract large national marketing organizations, bank distributions, small employer pension specialists, organizations targeting the upper-income

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market, wholesalers, and broker/dealers. These tactics are expected to continue to improve diversification of product and distribution, while improving profitability. Fixed annuity products grew significantly in prior years due to the increased distribution sources, competitive product offerings, and the downturn in the equity markets as individuals sought sound investments for their assets. The level of annuity sales has fluctuated over the past few years due to the proactive management of sales relative to the prevailing economic environment.

IMG also distributes through Direct Marketing. Direct Marketing (DM) focuses on individuals who favor purchasing insurance directly from insurance companies. DM offers life insurance through the internet, mail, print and broadcast media, primarily directed at middle and lower-income customers. DM markets nationwide, with continued growth in new life sales resulting from stepped up marketing efforts. A.M. Best expects favorable sales growth in DM; however, statutory profitability will continue to be impaired by new business strain. The direct marketing line has evolved as direct marketing products are now offered through American National and the newly created ANICONY.

The CREDIT DIVISION (CD) offers an extensive portfolio of credit insurance and debt cancellation products that are primarily distributed by general agents in the financial institutions, auto dealer, and retail segments. These products are underwritten by companies in ANG. CD has seen growth of its credit-related property and casualty product lines. Traditional credit insurance products continue to face competition from debt cancellation products in most segments; however, CD has diversified its product mix to reduce sensitivity to shifting product trends.

The HEALTH/SENIOR AGE MARKETING DIVISION (HD) offers supplemental health products including Medicare Supplement, cancer, accidental death and dismemberment, and limited benefit health products to individuals and associations through multiple controlled and independent distribution systems. A significant amount of Medicare Supplement business is underwritten by SLA. Medicare Supplement products generate the vast majority of premium for SLA, although the company also offers annuities and an array of life insurance products through its independent distribution force. The division helps its clients plan for their insurance needs as they approach retirement and during their retirement years. The company remains committed to Medicare Supplement plans, rather than offering Medicare Advantage.

Due to losses in specific businesses historically, ANG exited the major medical and long-term-care markets. ANG continues to monitor health profitability by market and is prepared to exit any line that is unable to achieve and sustain profitability.

OTHER insurance includes certain non-insurance lines and acquired closed blocks of business from other companies. Key non-insurance subsidiaries include Comprehensive Investment Services, as well as real estate investment companies.

TOTAL PREMIUM COMPOSITION & GROWTH ANALYSIS

Period	DPW		Reinsurance Prem Assumed	
	(\$000)	(% Chg)	(\$000)	(% Chg)
Ending	2,660,913	15.4	145,859	28.2
2009	2,102,250	-21.0	61,437	-57.9
2010	2,262,512	7.6	69,519	13.2
2011	1,430,049	-36.8	65,653	-5.6
2012	1,231,401	-13.9	77,906	18.7
2013	...	-11.8	...	-7.3
5-Yr CAGR	...	-11.8	...	-7.3

Period	Reinsurance Prem Ceded		NPW & Deposits	
	(\$000)	(% Chg)	(\$000)	(% Chg)
Ending	176,744	0.2	2,782,754	16.8
2009	142,711	-19.3	2,138,101	-23.2
2010	151,418	6.1	2,290,121	7.1
2011	155,231	2.5	1,465,457	-36.0
2012	163,038	5.0	1,270,198	-13.3
2013	...	-1.6	...	-11.8
5-Yr CAGR	...	-1.6	...	-11.8

Territory: The company is licensed in the District of Columbia, American Samoa, Guam, Puerto Rico, AL, AK, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY.

2013 BY-LINE BUSINESS (\$000)

Product Line	DPW		Reinsurance Prem Assumed	
	(\$000)	(%)	(\$000)	(%)
Industrial life	114	0.0	...	...
Ordinary life	476,031	38.7	3,702	4.8
Group life	36,567	3.0	...	...
Credit life	27,414	2.2	-45	-0.1
Individual annuities	446,790	36.3	...	...
Group annuities	170,627	13.9	...	...
Individual A&H	10,599	0.9	...	...
Credit A&H	23,050	1.9	-50	-0.1
Group A&H	40,209	3.3	74,299	95.4
Total	1,231,401	100.0	77,906	100.0

Product Line	Reinsurance Prem Ceded		NPW	
	(\$000)	(%)	(\$000)	(%)
Industrial life	...	...	114	0.0
Ordinary life	61,209	37.5	418,524	36.5
Group life	13,234	8.1	23,333	2.0
Credit life	10,202	6.3	17,167	1.5
Individual annuities	...	...	446,790	39.0
Group annuities	24	0.0	170,603	14.9
Individual A&H	311	0.2	10,288	0.9
Credit A&H	8,427	5.2	14,573	1.3
Group A&H	69,632	42.7	44,877	3.9
Total	163,038	100.0	1,146,269	100.0

BY-LINE RESERVES (\$000)

Product Line	2013	2012	2011	2010	2009
Industrial life	124,973	143,404	147,428	150,937	154,399
Ordinary life	3,072,023	2,966,553	2,902,517	2,840,170	2,771,107
Group life	222,079	227,264	248,747	248,199	242,738
Credit life	8,671	9,896	12,435	20,559	33,308
Supplementary contr	1,309	1,517	1,764	1,996	2,309
Individual annuities	5,739,459	5,759,925	5,642,065	5,144,430	4,559,976
Group annuities	3,512,798	3,890,058	3,988,428	3,753,206	3,471,299
Deposit type contracts	525,139	483,297	472,134	457,685	459,540
Individual A&H	25,302	26,466	27,354	27,618	27,747
Credit A&H	24,901	26,487	30,051	36,674	40,572
Group A&H	3,242	4,967	4,844	5,599	5,516
Total	13,259,897	13,539,834	13,477,768	12,687,075	11,768,511

LIFE POLICIES STATISTICS

Year	-Ordinary Policies-		-Group Policies-		-Group Certificates-	
	Issued	In Force	Issued	In Force	Issued	In Force
2009	75,046	1,445,477	1	46	605	45,729
2010	80,325	1,419,461	...	37	613	41,268
2011	91,511	1,402,696	...	33	873	40,457
2012	100,667	1,387,904	...	31	896	39,509
2013	115,710	1,375,471	...	30	903	38,471

LIFE INSURANCE IN FORCE (\$000)

Year	Whole Life Endow. & Adds					Total Insurance In Force
	Term	Credit	Group	Industrial	...	
2009	27,858,406	18,486,148	3,766,543	6,593,478	217,318	56,921,893
2010	27,699,525	19,916,708	3,279,486	6,209,305	210,139	57,315,163
2011	27,498,254	21,775,509	2,810,374	5,961,318	203,316	58,248,771
2012	27,964,515	24,984,799	2,599,412	5,742,558	195,995	61,487,279
2013	29,318,633	30,687,732	2,539,320	5,493,094	173,067	68,211,846

NEW LIFE BUSINESS ISSUED (\$000)

Year	Whole Life & Endow.					Total Insurance Issued	Non- Par (%)	Par (%)
	Term	Credit	Group	Industrial	...			
2009	2,071,385	3,626,019	2,297,227	87,966	...	8,082,597	98.0	2.0
2010	2,229,208	3,707,006	2,439,296	57,693	...	8,433,203	97.0	3.0
2011	2,208,566	4,630,927	2,085,340	78,054	...	9,002,887	99.0	1.0
2012	2,762,848	6,329,056	2,201,885	82,513	...	11,376,302	99.0	1.0
2013	3,614,140	9,473,923	2,182,302	69,247	...	15,339,612	99.0	1.0

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ORDINARY LIFE STATISTICS

Year	Ord. Lapse Ratio	Renew Premium Persist	Average Ord. Policy (in dollars)		Avg Prem (\$/M)	1st Yr Total Prem	1st Yr Comm/1st Yr Prem	Gen. Exp./Policies In Force
	%	%	Issued	In Force				
2009	8.7	83.9	75,919	32,062	8.46	11.1	96.8	
2010	8.3	93.5	73,902	33,545	8.59	10.8	93.6	
2011	8.9	89.7	74,740	35,128	8.42	11.2	86.0	
2012	8.8	89.5	90,317	38,151	8.22	14.2	74.9	
2013	9.1	91.8	113,111	43,626	7.99	16.8	77.5	

Year	Number of Policies		First Year Premium (000)	Gen'l Exp/Reserves (%)	Return on Reserves (%)
	Issued	In Force			
2009	75,046	1,445,477	43,080	5.00	0.46
2010	80,325	1,419,461	43,732	4.52	0.87
2011	91,511	1,402,696	46,294	4.41	-0.14
2012	100,667	1,387,904	61,198	4.97	-0.05
2013	115,710	1,375,471	79,768	5.49	-1.06

INDIVIDUAL ANNUITY STATISTICS

Year	NPW (000)	Res (000)	Exp to Res (%)	Comm & Exp to NPW (%)	Benefits & Wdrwls to NPW (%)	Benefits & Wdrwls to Res (%)
	2009	1,244,393	4,562,285	1.1	8.8	53.5	14.6
2010	940,980	5,146,426	0.9	11.0	56.0	10.2
2011	1,022,219	5,643,829	0.9	10.6	66.8	12.1
2012	502,455	5,761,442	0.7	14.0	115.8	10.1
2013	446,790	5,740,769	0.9	18.8	157.8	12.3

GROUP ANNUITY STATISTICS

Year	NPW (000)	Res (000)	Exp to Res (%)	Comm & Exp to NPW (%)	Benefits & Wdrwls to NPW (%)	Benefits & Wdrwls to Res (%)
	2009	909,450	3,471,299	0.4	6.0	51.4	13.5
2010	611,048	3,753,206	0.4	7.8	80.5	13.1
2011	692,924	3,988,428	0.4	7.6	87.3	15.2
2012	347,115	3,890,058	0.1	7.5	174.8	15.6
2013	170,603	3,512,798	0.2	11.1	415.3	20.2

TOTAL ANNUITY ACTUARIAL RESERVES BY WITHDRAWAL CHARACTERISTICS

Year	Total Annuity Res (000)	Min or No Surrender Charge (%)	With Surrender Charge 5% or more (%)		No Surrender Allowed (%)
			With MVA (%)	With MVA (%)	
2009	8,033,584	28.4	11.9	53.2	6.5
2010	8,899,632	29.4	12.1	51.8	6.8
2011	9,632,257	31.4	11.9	50.0	6.7
2012	9,651,500	28.8	15.4	47.3	8.5
2013	9,253,567	32.6	14.8	44.6	8.0

SEPARATE ACCOUNT DATA

	2013	2012	2011	2010	2009
Sep Acct Assets	970,954	841,390	747,867	780,563	718,378
% Growth	15.4	12.5	-4.2	8.7	28.0
S/A Assets/Adm Assets	5.4	4.7	4.3	4.7	4.7
Sep Acct Reserves	969,668	840,446	747,410	779,667	717,788
% Ordinary Life	15.5	15.0	16.0	16.9	16.5
% Individual Annuities	3.0	3.3	4.1	5.3	5.9
% Group Annuities	76.6	77.1	75.3	73.2	73.4
% Group Life	4.8	4.5	4.6	4.6	4.1
Other Liabilities	1,285	943	456	896	590
S/A Premiums & Deposits	136,319	159,814	139,421	126,936	137,877
% Ordinary Life	8.9	8.1	9.8	11.9	11.8
% Individual Annuities	0.2	0.1	2.0	1.0	1.0
% Group Annuities	87.8	88.8	84.5	82.6	82.5
% Group Life	3.1	3.0	3.7	4.5	4.7
Sep Acct Fees & Charges	16,834	15,767	16,713	16,936	16,150
% Ordinary Life	48.3	52.3	51.3	52.2	55.0
% Individual Annuities	2.3	2.7	3.0	3.3	3.3
% Group Annuities	36.3	30.5	30.9	29.3	24.8
% Group Life	13.1	14.6	14.8	15.3	16.8
Fees & Chgs to Assets%	1.9	2.0	2.2	2.3	2.5
Sep Acct Ben & Wdrwls	154,172	131,254	139,340	136,836	100,067
% Ordinary Life	8.1	9.4	9.8	9.1	9.2
% Individual Annuities	3.0	4.0	6.9	5.2	5.3
% Group Annuities	86.8	84.5	81.5	84.1	83.8
% Group Life	2.1	2.1	1.8	1.6	1.8
Ben & Wdrwl to Assets%	17.0	16.5	18.2	18.3	15.6

GEOGRAPHIC BREAKDOWN BY DIRECT PREMIUM WRITINGS (\$000)

	2013	2012	2011	2010	2009
Texas	228,098	219,714	248,016	265,905	304,768
California	148,224	163,686	242,868	283,063	315,915
Florida	92,358	101,981	158,250	187,697	220,889
Ohio	65,878	54,970	89,015	74,986	112,396
Illinois	41,778	44,499	89,598	81,451	124,141
Pennsylvania	39,395	61,543	147,657	108,857	144,611
New Jersey	37,559	36,760	60,891	65,104	97,310
Minnesota	30,893	21,909	34,014	38,345	60,120
Georgia	30,594	21,832	35,406	31,146	39,602
Washington	30,219	57,021	64,246	48,042	52,369
All Other	537,162	603,587	1,080,475	923,889	1,191,918
Total	1,282,157	1,387,503	2,250,436	2,108,485	2,664,040

RISK MANAGEMENT

The following text is derived from A.M. Best's Credit Report on American National Group (AMB# 070166).

ANG maintains a sophisticated and corporate-wide enterprise risk management program. The Enterprise Risk policy addresses the roles and responsibilities among the American National Board, the Management Risk Committee, officers and subsidiary boards across the enterprise with respect to risk management. There is coordination of bottom-up risk identification exercises and a catalog of individual risk limits through an established ERM liaison team. American National develops estimates of the capital needed to manage losses in excess of those expected, and already covered by reserves in many cases, for each identified major category of risk. Management Risk Committees are also formalized for the P&C companies along with a disciplined Catastrophe Risk Management Program. At the enterprise level, ANG integrates processes of the property and casualty segment with robust models of CAT losses, capital models and strong monitoring processes. American National's ERM activities have supported the improved operating results in the P&C segment. The Asset Liability Management program has been part of the company's ERM process for several years and is constantly enhanced by new policies and controls. In addition, enhancements to the internal capital model continue to be implemented.

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OPERATING PERFORMANCE

The following text is derived from A.M. Best's Credit Report on American National Group (AMB# 070166).

Operating Results: On a consolidated basis, American National has recorded stable and positive statutory operating gains in the past five years. After having mixed operating results in the past due to high benefits paid, new business reserve strain, interest rate spread compression, and unprofitable health insurance lines, the company addressed most of the aforementioned issues and continues to report operating gains. One of the other key contributors to the company's overall profitability is income from its excess capital and surplus funds.

Net premiums written have decreased significantly over the past two years, after experiencing growth, primarily due to intentional scaling down of the annuity segment and intense competition in other segments. A.M. Best does not expect American National to grow business significantly in the medium term, but rather to continue on the current trend of profitable growth while strengthening core lines of business.

American National is the ultimate parent company and controls several downstream property/casualty subsidiaries, life insurance companies, and a number of non-insurance entities. On a consolidated basis, ANG reported positive GAAP results with increased net income in the most recent year due mostly to an improvement in the property/casualty line of business. Historically, the property/casualty business has been a very strong and increasing contributor to earnings for the group, while providing diversification to the group's earnings base. Catastrophic (CAT) losses were the main reason for significant operating losses in the years preceding 2011 for the property/casualty line of business. Renegotiated reinsurance contracts, as well as enhanced enterprise risk management enabled ANG to improve results in that segment, thus improving the overall profitability. The group's non-insurance operations have also been positive contributors to the consolidated operating results and net income.

PROFITABILITY ANALYSIS (\$000)

Period Ending	Company				Year
	Pre-tax Net Oper Income	Net Operating Gain	Net Income	Total Return	
2009	146,090	111,782	53,888	266,035	2009
2010	164,820	110,858	129,882	153,631	2010
2011	204,697	152,346	176,880	174,344	2011
2012	213,396	167,178	193,739	418,336	2012
2013	147,352	90,777	149,129	446,508	2013
5-Yr Total	876,356	632,942	703,518	1,458,855	5-Year Total

Period Ending	Company		Industry Composite		Year
	Operating ROR	Operating ROE	Operating ROR	Operating ROE	
2009	3.2	6.0	6.0	14.7	2009
2010	3.7	5.8	4.5	9.9	2010
2011	4.8	7.7	1.4	3.4	2011
2012	7.1	7.8	3.7	11.0	2012
2013	4.3	3.7	4.2	9.8	2013
5-Yr Avg	4.5	6.1	3.9	9.7	5-Yr Avg

PROFITABILITY TESTS

Year	Comm & Ben Paid to NPW & Dep	Exp to NPW & Dep	NOG to Assets	NOG to Tot Rev	Operating Return on Equity	Net Yield	Total Return
2009	52.1	20.2	0.8	3.2	6.0	5.30	6.46
2010	60.9	25.1	0.7	3.7	5.8	5.25	5.57
2011	71.8	23.9	0.9	4.8	7.7	5.39	5.60
2012	105.1	33.0	1.0	7.1	7.8	5.20	6.78
2013	140.0	41.4	0.5	4.3	3.7	4.86	7.07
5-Year Avg	77.5	26.7	0.8	4.5	6.1	5.19	6.31

NET OPERATING GAIN (\$000)

Product Line	2013	2012	2011	2010	2009
Industrial life	1,726	812	3,831	3,685	2,968
Ordinary life	-32,816	-1,562	-4,165	24,808	12,821
Group life	15,464	32,603	16,944	14,911	15,046
Credit life	660	2,000	3,128	7,248	17,364
Supplementary contr	-73	-286	388	238	372
Individual annuities	30,915	55,440	48,828	14,621	5,245
Group annuities	50,328	61,268	78,698	41,574	40,450
Individual A&H	291	330	-447	-81	60
Credit A&H	940	1,662	1,574	-6,103	5,141
Group A&H	-399	-1,768	1,393	1,398	3,439
Other	23,741	16,680	2,174	8,560	8,878
Total	90,777	167,178	152,346	110,858	111,782

ACCIDENT & HEALTH STATISTICS (\$000)

Year	Net Premiums		Loss Ratio	Exp. Ratio	Underwriting Results
	Written	Earned			
2009	89,834	98,411	74.6	30.8	-2,619
2010	65,371	69,575	66.1	45.5	-19,502
2011	66,341	72,027	67.7	41.8	-4,509
2012	72,419	74,950	72.2	42.8	-10,713
2013	69,737	70,241	73.2	42.0	-10,459
Current Year Experience:					
Group	44,875	44,877	91.9	26.3	-8,164
Credit	14,573	15,017	21.7	86.7	-882
Coll renew.	5	5	-99.9	39.0	17
Non-can.	268	270	-99.9	52.0	973
Guarant renew	7,830	7,844	65.3	48.1	-1,051
Non-renew, S.R.	2,068	2,108	100.6	41.5	-870
Other	117	120	432.7	70.8	-483

INVESTMENT GAINS (\$000)

Year	Company			Total Return (%)	Unrealized Capital Gains
	Net Inv Income	Realized Capital Gains	Unrealized Capital Gains		
2009	699,934	-57,894		6.5	212,147
2010	759,509	19,024		5.6	23,748
2011	831,379	24,533		6.8	-2,535
2012	835,309	26,561		7.1	224,598
2013	792,619	58,352		6.3	297,379
5-Year Total	3,918,750	70,576		6.3	755,337
Year	Company		Industry Composite		
	Inv Inc Growth (%)	Inv Yield (%)	Return on Inv Assets (%)	Total Return (%)	
2009	4.3	5.3	4.9	6.5	
2010	8.5	5.3	5.5	5.6	
2011	9.5	5.4	5.6	5.6	
2012	0.5	5.2	5.5	6.8	
2013	-5.1	4.9	5.3	7.1	
5-Yr Avg	3.2	5.2	5.4	6.3	

BALANCE SHEET STRENGTH

The following text is derived from A.M. Best's Credit Report on American National Group (AMB# 070166).

Capitalization: American National maintains a strong level of capitalization on both a relative and risk-adjusted basis generated through its statutory operating profitability. Over the past five years, the company has distributed a large portion of its statutory earnings, around \$492 million has been paid in dividends to shareholders. American National maintains a minimal amount of debt, which consists of long-term notes payable which was primarily used to fund the Farm Family acquisition.

On a GAAP basis, equity also continues to increase due to retained earnings. The company manages its capital and surplus funds by allocating to key business segments and to operating insurance and non-insurance entities. American National's consolidated stockholders' equity has increased consistently on a long-term basis.

Best's Rating Report

A.M. Best notes that American National's current level of capital is adequate to provide the capital needed to fund future growth or new business opportunities.

CAPITAL GENERATION ANALYSIS (\$000)

Year	Source of Surplus Growth			
	Pre-Tax Net Operating Gain	Realized Capital Gains	Income Taxes	Unrealized Capital Gains
2009	146,090	-57,894	34,307	212,147
2010	164,820	19,024	53,962	23,748
2011	204,697	24,533	52,351	-2,535
2012	213,396	26,561	46,218	224,598
2013	147,352	58,352	56,576	297,379
5-Yr Total	876,356	70,576	243,414	755,337

Year	Source of Surplus Growth			
	Change in AVR	Other Changes	Change in C&S	% Chg in C&S
2009	-176,441	-2,797	86,797	4.8
2010	-43,835	-48,114	61,682	3.3
2011	-26,776	-101,167	46,402	2.4
2012	-24,138	-134,481	259,717	13.0
2013	-16,351	-22,567	407,590	18.0
5-Yr Total	-287,541	-309,126	862,188	8.1

QUALITY OF SURPLUS (\$000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus	Adjusted C&S
2009	-40,466	1,932,933	2,187,990
2010	-40,378	1,994,527	2,293,506
2011	-40,355	2,040,906	2,366,684
2012	-38,453	2,298,721	2,650,539
2013	-34,483	2,702,341	3,074,481

LEVERAGE ANALYSIS

Year	Company				-Industry Composite-		
	C&S to Liab	Surplus Relief	NPW & Dep to Capital	Change in NPW & Dep	C&S to Liab	Surplus Relief	Exp. Ratio
2009	17.6	2.1	1.3	16.8	10.1	4.0	9.65
2010	17.2	1.5	0.9	-23.2	10.1	3.6	8.55
2011	16.6	1.5	1.0	7.1	10.5	0.4	7.34
2012	18.5	1.2	0.6	-36.0	10.8	3.2	7.36
2013	22.0	1.0	0.4	-13.3	10.7	4.4	8.29

Current BCAR: 246

CEDED REINSURANCE ANALYSIS

Year	Company						-Industry Composite-	
	Face Amount	Affil Reins	Unaffil Reins	Total Reins	Surplus Relief	Reins Leverage	Total Reins	Reins Leverage
2009	27,479,981	...	9.4	9.4	2.1	19.4	4.8	127.3
2010	27,670,418	...	8.1	8.1	1.5	17.9	4.7	133.5
2011	28,064,797	...	7.8	7.8	1.5	18.1	5.4	149.9
2012	28,244,238	...	6.6	6.6	1.2	15.9	5.2	136.2
2013	28,412,697	...	5.6	5.6	1.0	13.8	5.1	142.5

The following text is derived from A.M. Best's Credit Report on American National Group (AMB# 070166).

Liquidity: American National maintains adequate cash resources available to meet its balance sheet liabilities and operating expenses. To maintain liquidity, the company has classified approximately 32% of its bond portfolio as "available for sale" securities. Asset/liability management has become increasingly important to manage liquidity needs associated with surrender activities while monitoring duration risks of various asset classes that support the company's large reserve base. Concurrently, the continued low interest rate environment exposes American National to spread compression risk, since American National holds large interest-sensitive fixed annuity reserves.

LIQUIDITY ANALYSIS

Year	Company				
	Operating Cash Flow (\$000)	Quick Liquidity	Current Liquidity	Non-Inv Grade Bonds to Capital	Delq & Foreclsd Mtg to Capital
2009	1,233,601	54.4	63.9	25.5	1.9
2010	986,743	50.8	60.9	23.6	0.8
2011	928,388	49.4	60.1	19.5	1.3
2012	25,309	48.2	59.3	14.1	2.6
2013	-192,764	48.2	59.1	9.5	2.3

Year	Company		-Industry Composite-	
	Mtg & Cred Ten Lns & RE to Cap	Affil Invest to Capital	Quick Liquidity	Current Liquidity
2009	118.0	108.3	43.8	56.5
2010	128.6	105.8	41.2	54.3
2011	132.9	102.0	40.2	53.6
2012	125.5	98.8	40.2	54.2
2013	114.9	92.7	39.6	53.1

The following text is derived from A.M. Best's Credit Report on American National Group (AMB# 070166).

Investments: On a statutory basis, American National's invested assets have continued to grow to over \$16 billion. Investments are managed by American National. The company adheres to a conservative investment philosophy with a diversified portfolio designed to maximize long-term growth and income. Long-term bonds comprise the majority of statutory invested assets, with a small portion of the bond portfolio in below-investment grade securities. Publicly traded corporate bonds and utilities comprise the bulk of this portfolio. American National's common stocks portfolio represents approximately one-tenth of invested assets; however, this primarily represents affiliated investments in its insurance subsidiaries.

INVESTMENT YIELDS

Year	Net Yield	Bonds	Stocks	Mortgages	Cash & Short-Term	-Real Estate-		Invest. Exp. Ratio
						Gross	Net	
2009	5.30	5.69	0.48	6.63	1.07	30.54	2.77	9.65
2010	5.25	5.55	0.35	7.03	0.42	26.65	1.40	8.55
2011	5.39	5.51	0.05	7.10	0.31	26.37	3.63	7.34
2012	5.20	5.26	0.05	6.88	0.34	25.27	3.88	7.36
2013	4.86	4.95	0.00	7.01	0.20	22.96	2.72	8.29

INVESTMENTS - SECURITIES

Current Year Distribution of Bonds By Maturity

	Years					Yrs-Avg Maturity
	0-1	1-5	5-10	10-20	20+	
Government	0.1	0.4	0.1	0.1	0.0	5
Gov't Agencies & Muni	0.6	1.7	2.8	0.7	0.0	7
Industrial & Misc	11.7	26.1	54.3	1.2	0.2	5
Total	12.4	28.2	57.2	2.0	0.2	6

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	2013	2012	2011	2010	2009
Bonds (000)	9,492,922	10,010,557	10,092,113	9,262,839	8,400,198
US Government	0.3	0.9	1.0	1.4	0.7
Foreign Government	0.4	0.4	0.4	0.3	0.0
Foreign - All Other	20.2	18.5	16.2	14.5	14.4
State/Special Revenue - US	6.0	6.3	6.9	6.5	5.5
Industrial & Misc - US	73.1	73.9	75.6	77.3	79.4
Private Issues	15.0	15.2	13.9	12.2	9.9
Public Issues	85.0	84.8	86.1	87.8	90.1

Bond Quality (%)	2013	2012	2011	2010	2009
Class 1	50.1	50.8	53.7	51.6	51.3
Class 2	46.9	45.5	41.8	42.8	42.5
Class 3	2.1	2.5	2.7	3.2	4.1
Class 4	0.6	0.6	1.4	1.7	0.7
Class 5	0.2	0.5	0.3	0.6	0.5
Class 6	0.0	0.1	0.1	0.2	0.9

INVESTMENTS - EQUITIES

	2013	2012	2011	2010	2009
Stocks (000)	1,868,644	1,625,798	1,389,911	1,359,686	1,369,597
Unaffiliated Common	...	...	2.3	3.1	3.3
Affiliated Common	100.0	100.0	97.7	96.9	96.7
Unaffiliated Preferred	...	...	0.0	0.0	0.0

Investments - Mortgage Loans and Real Estate: Commercial mortgage loans and real estate comprise about one-fifth of the company's invested assets. Most of the mortgage loans are in retail, office, industrial, lodging properties, and medical offices and are geographically well diversified. These loans are generally secured by first liens on income producing properties. A.M. Best notes that despite American National's commercial mortgages having consistently performed well, the higher than average historical allocation of mortgages and real-estate investments relative to capital and surplus funds could potentially impact the company's investment performance should the economy weaken further in the U.S.

INVESTMENTS - MORTGAGE LOANS & REAL ESTATE

	2013	2012	2011	2010	2009
Mortgages (000)	3,221,133	3,064,941	2,920,387	2,720,107	2,363,163
Commercial	100.0	100.0	100.0	100.0	100.0
Residential	...	...	...	0.0	0.0
Mortgage Quality (%)	2013	2012	2011	2010	2009
In Process of Foreclosure	0.2	0.8	0.6	0.1	0.4
Total Delinquencies	0.2	0.8	0.6	0.1	0.4
Real Estate (000)	310,759	261,757	224,972	228,886	218,682
Property Occupied by Co	4.4	5.6	7.1	7.5	8.5
Property Held for Inc	90.7	94.4	92.9	92.5	85.0
Property Held for Sale	4.9	...	...	...	6.6

INVESTMENTS - OTHER INVESTED ASSETS

	2013	2012	2011	2010	2009
Other Inv Assets (000)	1,733,542	1,512,516	1,540,017	1,643,878	1,804,827
Cash	18.2	5.2	12.3	-2.6	-1.0
Short-Term	0.8	8.7	1.1	23.1	32.4
Schedule BA Assets	51.9	57.9	60.6	55.8	49.7
All Other	29.1	28.2	26.0	23.7	18.9

HISTORY

Date Incorporated: 03/01/1905 **Date Commenced:** 03/17/1905

Domicile: TX

Mergers: Commonwealth Life & Accident Insurance Company, Missouri, 1994.

Reinsurances: All ordinary life insurance of American Health and Life Insurance Company, Texas, 1987; all existing business of American Security Life, Texas, 1990.

MANAGEMENT

Officers: Chairman of the Board and Chief Executive Officer, R. L. Moody, Sr.; President and Chief Operating Officer, J. E. Pozzi; Senior Executive Vice President, Chief Actuary and Chief Risk Officer, R. J. Welch (Corporate); Executive Vice President and Chief Information Officer, J. D. Johnson (Corporate Business Process); Executive Vice President, Treasurer and Chief Financial Officer, J. J. Dunn, Jr. (Corporate); Executive Vice President and Director, G. V. Ostergren (Multiple Line); Executive Vice Presidents, D. A. Behrens (Independent Marketing Group), J.W. Pangburn (Credit Insurance Division), S. H. Schouweiler (Health Insurance Operations), H. J. Strickland (Career Sales & Service Division); Senior Vice President and Chief Information Officer, B. S. Gerwel (Info/Innovation Multiple Line); Senior Vice President and Chief Compliance Officer, D. A. Akins (Corporate Relations); Senior Vice Presidents and Chief Marketing Officers, S.C. Campbell (Multiple Line Marketing), R.C. Price (Career Life Agencies); Senior Vice Presidents and Actuaries, F. V. Broll, Jr., J. F. Simon; Senior Vice President and Controller, W. F. Carlton (Corporate); Senior Vice Presidents, A. L. Amato, Jr. (Life Insurance Administration), S. F. Brast (Real Estate/Mortgage Loan Investments), G. D. Dixon (Stock/Bond Investments), L.C. Ferrell (Independent Marketing Group Operations), B. M. LePard (Corporate Human Resources), S. L. Smith (Agency Office Multiple Line); Vice Presidents and Chief Marketing Officers, J. A. Collura (Life/MLEA), D.R. Lambson (Health & Senior Age Marketing); Vice President and Chief Actuary, W. H. Watson III (Health); Vice Presidents and Actuaries, J. O. Norton, G. A. Schillaci, C. E. Tipton (Health); Vice President and General Auditor, G. A. Macke (Internal Audit); Vice President and Medical Director, J.F. White; Vice Presidents, T. K. Ball (Sales Credit Insurance Division), B. N. Bright (Computing Services), B. C. Cooper (Financial Accounting), D. A. Culp (Independent Marketing, Financial Institution), S. L. Dobbe (Independent Marketing, Broker Dealer Marketing), D. W. Fisher, Jr. (Mortgage Loan Production), D. K. Janson (Corporate Planning), C. J. Jones (Health Underwriting/New Business), R. S. Katz (Direct Marketing & Sales), H. B. Kelso, Jr., M.D., D.W. King (Equities), R. J. Kirchner (Real Estate Investments), M. A. Klein (Independent Marketing, Financial Marketing), C. W. Klenk (Independent Marketing, Brokerage Sales), S.L. Latham, A. M. LeMire (Fixed Income), G.H. Lukovich (ML Distribution & Sales), B. W. Manning (Claims and CSC), M.S. Marquis (Life New Business), E.V. Matthews III (Mortgage Loan Production), M. M. Mitchell (Application Development and Support), R.J. Ostermayer (Health Security & Group Admin), E. B. Pavelka (Life Policy Administration), R.C. Putz (IT Security, Compliance and Risk), W. C. Ray (Marketing Training & Development MLEA), R. W. Schefft (Advanced Sales & Marketing), D.H. Schultz (National Accounts), J. T. Smith (Pension Sales), O.K. Smith (Human Resources), W. A. Smith (Career Sales & Service Division), J. P. Stelling (Group Health Operations), M.A. Walker (Special Markets, Credit Insurance); Secretary, J. M. Flippin.

Directors: A. O. Dummer, S. M. Elliot, D.C., R. L. Moody, Sr., R. S. Moody, W. L. Moody IV, F. A. Moody-Dahlberg, E.J. Pederson, J. E. Pozzi, J. D. Yarbrough.

REGULATORY

An examination of the financial condition was made as of December 31, 2012, by the insurance department of Texas. The 2013 annual independent audit of the company was conducted by KPMG, LLP. The annual statement of actuarial opinion is provided by Frank V. Broll, Jr., Senior Vice President and Actuary.

Reserve basis: (Current ordinary business): 2001 CSO and CRVM valuation at 3.5%.

REINSURANCE

The following text is derived from A.M. Best's Credit Report on American National Group (AMB# 070166).

American National maintains agreements with several professional reinsurers, both captive and offshore, through which it cedes a significant portion of new business written. Maximum net retention is \$1,500,000 issue ages 0-65 and \$700,000 for issue ages 66+ for individual life, \$250,000 for individual accidental death, \$100,000 for group life, and \$125,000 for credit life.

Best's Rating Report



FINANCIAL INFORMATION BALANCE SHEET (\$000) - December 31, 2013

Assets		Liabilities	
Total bonds	9,492,922	+Net policy reserves	12,734,757
Total common stocks	1,868,644	Policy claims	137,586
Mortgage loans	3,221,133	Deposit type contracts	525,139
Real estate	310,759	Interest maint reserve	20,386
Contract loans	337,281	Comm taxes expenses	77,466
Cash & short-term inv	328,904	Asset val reserve	406,623
Other invested assets	899,367	Other liabilities	495,449
Premis and consid due	111,350		
Accrued invest income	153,306	Tot liab w/o sep accts	14,397,406
Other assets	341,597	Separate account bus	970,954
		Total liabilities	15,368,360
Tot assets w/o sep accts	17,065,264	Common stock	30,832
Separate account bus	970,954	Treas stock common	-97,441
		Paid in & contrib surpl	32,126
		Unassigned surplus	2,708,778
		Other surplus	-6,438
Assets	18,036,218	Total	18,036,218

+Analysis of reserves; Life \$3,296,270; annuities \$9,252,257; supplementary contracts with life contingencies \$1,309; accidental death benefits \$11,989; disability active lives \$8,401; disability disabled lives \$43,061; miscellaneous reserves \$68,025; accident & health \$53,444.

SUMMARY OF OPERATIONS (\$000)

Premiums:		Death benefits	194,588
Ordinary life	418,524	Matured endowments	4,316
Individual annuities	446,790	Annuity benefits	377,661
Credit life	17,167	Disability benefits	5,448
Group life	23,333	Surrender benefits	1,119,563
Group annuities	170,603	Acc & health benefits	55,368
Acc & health group	44,877	Int on policy funds	20,945
Acc & health credit	14,573	Supplementary contracts	351
Acc & health other	10,288	Incr life reserves	-333,740
Industrial	114	Incr a & h reserves	-4,476
Total premiums	1,146,269	Commissions	172,077
Supplementary contracts	5,386	Comm exp reins assumed	17,322
Net investment income	792,619	Reinsurance expenses	73,468
Amort interest maint res	10,450	Insur taxes lic & fees	31,707
Comm & exp reins ceded	25,843	General ins expenses	256,875
Reinsurance income	113,839	Net transf to sep acct	-20,394
Other income	24,976	Misc operating expense	253
Mgt and/or service fee	1,814		
Total	2,121,196	Total	1,971,335
Gain from operations before FIT & div to policyholders.....			149,861
Dividends to policyholders: life.....			2,509
Gains from operations after dividends to policyholders.....			147,352
Federal income taxes incurred.....			56,576
Net gain from operations after FIT and dividends.....			90,777

CASH FLOW ANALYSIS (\$000)

Funds Provided		Funds Applied	
Gross cash from oper	2,122,004	Benefits paid	1,818,990
Long-term bond proceeds	1,809,223	Comm, taxes, expenses	611,296
Mortgage loan proceeds	757,133	Long-term bonds acquired	1,270,529
Other invest proceeds	722,466	Mortgage loans acquired	901,053
Other cash provided	204,621	Other invest acquired	749,370
		Other cash applied	145,297
		Incr cash & short-term	118,912
Total	5,615,448	Total	5,615,448

Best's Rating Report



Why is this *Best's*[®] *Rating Report* important to you?

A Best's Rating Report from the A.M. Best Company showcases the **opinion** from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders, as well as its relative credit risk.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of the insurance companies since 1899.

A Best's Financial Strength Rating is an **independent opinion** of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations.

The Financial Strength Rating **opinion** addresses the relative ability of an insurer to meet its ongoing insurance policy and contract obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually

borne by the policy or contract holder. The rating is **not a recommendation** to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

In arriving at a rating decision, A.M. Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, A.M. Best does not independently verify the accuracy or reliability of the information.

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