

AMERICAN NATIONAL INSURANCE CO /TX/

Form 10-Q

May 08, 2015

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**For the quarterly period ended March 31, 2015**

**or**

.. **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**Commission File No. 001- 34280**

**American National Insurance Company**

**(Exact name of registrant as specified in its charter)**

<b>Texas</b> <b>(State or other jurisdiction of</b>  <b>incorporation or organization)</b>	<b>74-0484030</b> <b>(I.R.S. Employer</b>  <b>Identification No.)</b>
<b>One Moody Plaza</b>  <b>Galveston, Texas 77550-7999</b>  <b>(Address of principal executive offices) (Zip Code)</b>  <b>(409) 763-4661</b>  <b>(Registrant's telephone number, including area code)</b>	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.    ☒ Yes    ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).    ☒ Yes    ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☒    Accelerated filer ☐    Non-accelerated filer ☐    Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).    ☐ Yes    ☒ No

As of May 5, 2015, there were 26,894,101 shares of the registrant's voting common stock, \$1.00 par value per share, outstanding.

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**AMERICAN NATIONAL INSURANCE COMPANY**

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**Table of Contents****AMERICAN NATIONAL INSURANCE COMPANY****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited and in thousands, except for share and per share data)

	<b>March 31, 2015</b>	<b>December 31, 2014</b> (As Adjusted)
<b>ASSETS</b>		
Fixed maturity, bonds held-to-maturity, at amortized cost (Fair Value \$8,482,362 and \$8,652,913)	\$ 7,969,007	\$ 8,225,050
Fixed maturity, bonds available-for-sale, at fair value (Amortized cost \$4,796,596 and \$4,694,716)	5,070,780	4,921,807
Equity securities, at fair value (Cost \$756,460 and \$739,384)	1,521,619	1,516,978
Mortgage loans on real estate, net of allowance	3,344,260	3,359,586
Policy loans	406,394	405,979
Investment real estate, net of accumulated depreciation of \$196,303 and \$193,611	501,992	479,062
Short-term investments	520,333	431,000
Other invested assets	216,981	220,255
<b>Total investments</b>	<b>19,551,366</b>	<b>19,559,717</b>
Cash and cash equivalents	170,017	209,455
Investments in unconsolidated affiliates	345,675	311,779
Accrued investment income	184,337	185,943
Reinsurance recoverables	415,872	428,654
Prepaid reinsurance premiums	55,181	56,019
Premiums due and other receivables	295,304	280,587
Deferred policy acquisition costs	1,233,034	1,253,544
Property and equipment, net	117,877	110,794
Current tax receivable		8,669
Other assets	175,166	137,856
Separate account assets	992,970	1,001,515
<b>Total assets</b>	<b>\$ 23,536,799</b>	<b>\$ 23,544,532</b>
<b>LIABILITIES</b>		
Future policy benefits		
Life	\$ 2,787,668	\$ 2,770,232
Annuity	1,030,933	1,006,748
Accident and health	56,368	58,364
Policyholders' account balances	10,604,889	10,781,285
Policy and contract claims	1,296,887	1,297,708
Unearned premium reserve	763,636	755,051
Other policyholder funds	356,776	344,090

Liability for retirement benefits	200,060	195,712
Notes payable	116,435	108,177
Current tax liability	24,204	
Deferred tax liabilities, net	302,505	287,175
Other liabilities	471,914	498,528
Separate account liabilities	992,970	1,001,515
<b>Total liabilities</b>	<b>19,005,245</b>	<b>19,104,585</b>
<b>STOCKHOLDERS EQUITY</b>		
Common stock, \$1.00 par value, - Authorized 50,000,000, Issued 30,832,449 and 30,832,449, Outstanding 26,896,982 and 26,871,942 shares	30,832	30,832
Additional paid-in capital	11,603	9,248
Accumulated other comprehensive income	498,223	490,782
Retained earnings	4,080,915	3,998,642
Treasury stock, at cost	(101,698)	(101,941)
Total American National stockholders equity	4,519,875	4,427,563
Noncontrolling interest	11,679	12,384
<b>Total stockholders equity</b>	<b>4,531,554</b>	<b>4,439,947</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 23,536,799</b>	<b>\$ 23,544,532</b>

*See accompanying notes to the consolidated financial statements.*

**Table of Contents****AMERICAN NATIONAL INSURANCE COMPANY****CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited and in thousands, except for share and per share data)

	Three months ended March 31,	
	2015	2014
	(As Adjusted)	
<b>PREMIUMS AND OTHER REVENUE</b>		
Premiums		
Life	\$ 72,082	\$ 71,995
Annuity	41,443	66,936
Accident and health	51,837	55,336
Property and casualty	276,481	270,608
Other policy revenues	57,524	55,927
Net investment income	209,213	218,823
Net realized investment gains	39,302	26,446
Other-than-temporary impairments	(25)	(975)
Other income	8,710	7,340
<b>Total premiums and other revenues</b>	<b>756,567</b>	<b>772,436</b>
<b>BENEFITS, LOSSES AND EXPENSES</b>		
Policyholder benefits		
Life	88,004	91,280
Annuity	54,367	77,452
Claims incurred		
Accident and health	31,797	43,929
Property and casualty	192,252	178,512
Interest credited to policyholders' account balances	75,753	83,412
Commissions for acquiring and servicing policies	93,115	98,435
Other operating expenses	123,458	118,524
Change in deferred policy acquisition costs	6,462	6,424
<b>Total benefits, losses and expenses</b>	<b>665,208</b>	<b>697,968</b>
<b>Income before federal income tax and equity in earnings/losses of unconsolidated affiliates</b>	<b>91,359</b>	<b>74,468</b>
Less: Provision for federal income taxes		
Current	15,588	13,781
Deferred	10,298	9,127
<b>Total provision for federal income taxes</b>	<b>25,886</b>	<b>22,908</b>

Equity in earnings (losses) of unconsolidated affiliates, net of tax	36,780	(62)
<b>Net income</b>	<b>102,253</b>	<b>51,498</b>
Less: Net income attributable to noncontrolling interest, net of tax	(729)	(756)

<b>Net income attributable to American National</b>	<b>\$ 102,982</b>	<b>\$ 52,254</b>
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**Amounts available to American National common stockholders**

<b>Earnings per share</b>		
Basic	\$ 3.84	\$ 1.95
Diluted	3.82	1.94
Cash dividends to common stockholders	0.77	0.77
Weighted average common shares outstanding	26,818,215	26,792,281
Weighted average common shares outstanding and dilutive potential common shares	26,964,350	26,925,152

*See accompanying notes to the consolidated financial statements.*

**Table of Contents****AMERICAN NATIONAL INSURANCE COMPANY****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited and in thousands)

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
		(As Adjusted)
Net income	\$ 102,253	\$ 51,498
Other comprehensive income, net of tax		
Change in net unrealized gain (losses) on securities	7,836	33,834
Foreign currency transaction and translation adjustments	(1,838)	(966)
Defined pension benefit plan adjustment	1,443	717
Other comprehensive income, net of tax	7,441	33,585
<b>Total comprehensive income</b>	<b>109,694</b>	<b>85,083</b>
Less: Comprehensive income (loss) attributable to noncontrolling interest	(729)	(756)
<b>Total comprehensive income attributable to American National</b>	<b>\$ 110,423</b>	<b>\$ 85,839</b>

**AMERICAN NATIONAL INSURANCE COMPANY****CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(Unaudited and in thousands, except for per share data)

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
		(As Adjusted)
<b>Common Stock</b>		
Balance at beginning and end of the period	\$ 30,832	\$ 30,832
<b>Additional Paid-In Capital</b>		
Balance as of January 1,	9,248	4,650
Reissuance of treasury shares	1,978	1,621
Amortization of restricted stock	377	505
Balance at end of period	11,603	6,776
<b>Accumulated Other Comprehensive Income</b>		
Balance as of January 1,	490,782	413,712



Other comprehensive income	7,441	33,585
Balance at end of the period	498,223	447,297
<b>Retained Earnings</b>		
Balance as of January 1,	3,998,644	3,836,112
Net income attributable to American National	102,982	52,254
Cash dividends to common stockholders	(20,711)	(20,731)
Balance at end of the period	4,080,915	3,867,635
<b>Treasury Stock</b>		
Balance as of January 1,	(101,941)	(97,441)
Reissuance of treasury shares	243	222
Balance at end of the period	(101,698)	(97,219)
<b>Noncontrolling Interest</b>		
Balance as of January 1,	12,384	12,757
Contributions	24	42
Loss attributable to noncontrolling interest	(729)	(756)
Cumulative tax adjustment		(507)
Balance at end of the period	11,679	11,536
<b>Total Stockholders Equity</b>	<b>\$ 4,531,554</b>	<b>\$ 4,266,857</b>

*See accompanying notes to the consolidated financial statements.*

**Table of Contents****AMERICAN NATIONAL INSURANCE COMPANY****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited and in thousands)

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
		(As Adjusted)
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 102,253	\$ 51,498
Adjustments to reconcile net income to net cash provided by operating activities		
Net realized investment gains	(39,302)	(26,446)
Other-than-temporary impairments	25	975
Amortization (accretion) of premiums, discounts and loan origination fees	977	3,400
Net capitalized interest on policy loans and mortgage loans	(7,708)	(8,298)
Depreciation	10,896	7,350
Interest credited to policyholders' account balances	75,753	83,412
Charges to policyholders' account balances	(57,524)	(55,927)
Deferred federal income tax expense	10,298	9,127
Equity in (earnings) losses of unconsolidated affiliates	(36,780)	62
Distributions from equity method investments	199	2,688
Changes in		
Policyholder liabilities	57,193	94,640
Deferred policy acquisition costs	6,462	6,424
Reinsurance recoverables	12,782	4,436
Premiums due and other receivables	(15,042)	4,245
Prepaid reinsurance premiums	838	3,174
Accrued investment income	1,606	(9,936)
Current tax receivable/payable	32,873	8,869
Liability for retirement benefits	4,348	(12,854)
Other, net	(37,413)	19,224
<b>Net cash provided by operating activities</b>	<b>122,734</b>	<b>186,063</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale/maturity/prepayment of		
Held-to-maturity securities	319,361	176,063
Available-for-sale securities	120,746	292,496
Investment real estate	10,821	27,650
Mortgage loans	167,304	85,094
Policy loans	13,929	13,357
Other invested assets	6,080	28,700
Disposals of property and equipment	800	157
Distributions from unconsolidated affiliates	24,465	994
Payment for the purchase/origination of		

Held-to-maturity securities	(85,733)	(193,554)
Available-for-sale securities	(236,077)	(487,904)
Investment real estate	(16,533)	(5,539)
Mortgage loans	(155,138)	(81,600)
Policy loans	(6,134)	(5,524)
Other invested assets	(3,729)	(4,640)
Additions to property and equipment	(13,580)	(5,449)
Contributions to unconsolidated affiliates	(24,668)	(17,260)
Change in short-term investments	(89,333)	249,785
Other, net	12,301	4,225
<b>Net cash provided by investing activities</b>	<b>44,882</b>	<b>77,051</b>
<b>FINANCING ACTIVITIES</b>		
Policyholders' account deposits	212,245	265,636
Policyholders' account withdrawals	(406,870)	(455,999)
Change in notes payable	8,258	(783)
Dividends to stockholders	(20,711)	(20,731)
Proceeds from (payments to) noncontrolling interest	24	42
<b>Net cash used in financing activities</b>	<b>(207,054)</b>	<b>(211,835)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(39,438)</b>	<b>51,279</b>
Beginning of the period	209,455	117,946
<b>End of period</b>	<b>\$ 170,017</b>	<b>\$ 169,225</b>

*See accompanying notes to the consolidated financial statements.*

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**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 Nature of Operations**

American National Insurance Company and its consolidated subsidiaries (collectively American National or the Company ) offer a broad spectrum of insurance products, including individual and group life insurance, annuities, health insurance, and property and casualty insurance. Business is conducted in all 50 states, the District of Columbia and Puerto Rico.

**Note 2 Summary of Significant Accounting Policies and Practices**

The consolidated financial statements and notes thereto have been prepared in conformity with U.S. generally accepted accounting principles ( GAAP ) and are reported in U.S. currency. American National consolidates entities that are wholly-owned and those in which American National owns less than 100% but controls, as well as variable interest entities in which American National is the primary beneficiary. Intercompany balances and transactions with consolidated entities have been eliminated. Investments in unconsolidated affiliates are accounted for using the equity method of accounting. Certain amounts in prior years have been reclassified to conform to current year presentation.

The interim consolidated financial statements and notes herein are unaudited and reflect all adjustments which management considers necessary for the fair presentation of the interim consolidated statements of financial position, operations, comprehensive income, changes in stockholders equity, and cash flows.

The interim consolidated financial statements and notes should be read in conjunction with the annual consolidated financial statements and notes thereto included in American National s Annual Report on Form 10-K as of and for the year ended December 31, 2014. The consolidated results of operations for the interim periods should not be considered indicative of results to be expected for the full year.

The preparation of the consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported consolidated financial statement balances. Actual results could differ from those estimates.

**Note 3 Recently Issued Accounting Pronouncements**

**Adoption of New Accounting Standards** The Financial Accounting Standards Board ( FASB ) issued the following accounting guidance relevant to American National:

In January 2014, the FASB issued Accounting Standards Update ( ASU ) 2014-01, Accounting for Investments in Qualified Affordable Housing Projects. The new standard allows a proportional amortization approach and treats the net investment performance as a component of income tax expense. Previously, these investments were accounted for under the equity method that records changes to investment value as a component of investment income and generates a deferred tax balance until the investment terminates. American National adopted this standard effective January 1, 2015, with retrospective adoption back to January 1, 2013. Accordingly, upon adoption the investment in unconsolidated affiliates asset was reduced by \$7,504,000 with a release of a related deferred tax liability of \$2,937,000 resulting in a \$4,567,000 reduction in the opening balance of stockholders equity at January 1, 2015.

**Table of Contents****Note 3 Recently Issued Accounting Pronouncements (Continued)**

Financial statement amounts previously reported were revised as shown below (in thousands):

<b>As of December 31, 2014</b>			
	<b>As Reported</b>	<b>As Adjusted</b>	<b>Effect of Change</b>
Investments in unconsolidated affiliates	\$ 319,283	\$ 311,779	\$ (7,504)
Deferred tax liabilities, net	290,112	287,175	(2,937)
Retained earnings	4,003,209	3,998,642	(4,567)

<b>Three months ended March 31, 2014</b>			
	<b>As Reported</b>	<b>As Adjusted</b>	<b>Effect of Change</b>
Provision for federal income taxes, current	\$ 12,360	\$ 13,781	\$ 1,421
Equity in earnings (losses) of unconsolidated affiliates, net of tax	(859)	(62)	797
Net income attributable to American National	52,878	52,254	(624)

American National held investments in Qualified Affordable Housing Projects totaling \$34,064,000 and \$27,595,000 as of March 31, 2015 and December 31, 2014, respectively. For the three month periods ending March 31, 2015 and March 31, 2014, American National recognized tax credits and other tax benefits of \$1,923,000 and \$1,551,000, respectively, and amortized cost of \$1,945,000 and \$1,897,000, relating to these investments. At March 31, 2015 American National had commitments to provide additional funding to these investments during the following fiscal years as follows:

Expected year of payment	2015	2016	2017	2018	2019	Total
Equity commitments (in thousands)	\$ 10,885	4,148	1,314	726	1,078	\$ 18,151

**Future Adoption of New Accounting Standards** The FASB issued the following accounting guidance relevant to American National:

In May 2014, the FASB issued guidance that will supersede most existing revenue recognition requirements in U.S. GAAP. Insurance contracts are excluded from the scope of the new guidance. For those contracts which are impacted by the guidance, the transaction price is attributed to the underlying performance obligations in the contract and revenue is recognized as the entity satisfies the performance obligations and transfers control of a good or service to the customer. The guidance is effective for reporting periods beginning after December 15, 2016 (although the FASB has proposed a delay until 2018) and is to be applied retrospectively. Early adoption before 2017 is not permitted. Expected amendments to the standard include new practical expedients and clarifications to the guidance. The Company is in the process of evaluating the impact of adoption, which is not expected to be material to the Company's financial statements.

In January 2015, the FASB issued guidance to simplify income statement presentation by eliminating the concept and separate presentation of extraordinary and unusual items. The new guidance is effective for calendar years beginning after December 15, 2015. The impact of the adoption is not expected to be material to the Company's financial statements.

In February 2015, the FASB issued guidance that amends the consolidation analysis. The guidance modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities. The guidance eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with VIEs. The amended guidance is effective for reporting periods beginning after December 15, 2015. The impact of the adoption is not expected to be material to the Company's financial statements.

**Table of Contents****Note 4 Investment in Securities**

The cost or amortized cost and fair value of investments in securities are shown below (in thousands):

	March 31, 2015			
	Cost or	Gross	Gross	Fair Value
	Amortized Cost	Unrealized Gains	Unrealized (Losses)	
Fixed maturity securities, bonds held-to-maturity				
U.S. states and political subdivisions	\$ 313,543	\$ 29,479	\$ (37)	\$ 342,985
Foreign governments	4,132	1,110		5,242
Corporate debt securities	7,311,516	486,417	(28,013)	7,769,920
Residential mortgage-backed securities	321,700	24,123	(1,045)	344,778
Commercial mortgage-backed securities				
Collateralized debt securities	1,935	190		2,125
Other debt securities	16,181	1,131		17,312
<b>Total bonds held-to-maturity</b>	<b>7,969,007</b>	<b>542,450</b>	<b>(29,095)</b>	<b>8,482,362</b>
Fixed maturity securities, bonds available-for-sale				
U.S. treasury and government	24,051	881	(3)	24,929
U.S. states and political subdivisions	851,970	38,641	(1,084)	889,527
Foreign governments	5,000	2,105		7,105
Corporate debt securities	3,868,058	239,285	(8,035)	4,099,308
Residential mortgage-backed securities	37,090	1,964	(297)	38,757
Collateralized debt securities	10,427	735	(8)	11,154
<b>Total bonds available-for-sale</b>	<b>4,796,596</b>	<b>283,611</b>	<b>(9,427)</b>	<b>5,070,780</b>
Equity securities				
Common stock	736,727	766,362	(13,234)	1,489,855
Preferred stock	19,733	12,031		31,764
<b>Total equity securities</b>	<b>756,460</b>	<b>778,393</b>	<b>(13,234)</b>	<b>1,521,619</b>
<b>Total investments in securities</b>	<b>\$ 13,522,063</b>	<b>\$ 1,604,454</b>	<b>\$ (51,756)</b>	<b>\$ 15,074,761</b>

	December 31, 2014			
	Cost or	Gross	Gross	Fair Value
	Amortized Cost	Unrealized Gains	Unrealized (Losses)	
Fixed maturity securities, bonds held-to-maturity				

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U.S. states and political subdivisions	\$ 323,053	\$ 26,800	\$ (93)	\$ 349,760
Foreign governments	29,130	1,293		30,423
Corporate debt securities	7,517,195	424,845	(47,315)	7,894,725
Residential mortgage-backed securities	336,853	22,317	(1,535)	357,635
Commercial mortgage-backed securities				
Collateralized debt securities	2,232	238		2,470
Other debt securities	16,587	1,313		17,900
<b>Total bonds held-to-maturity</b>	<b>8,225,050</b>	<b>476,806</b>	<b>(48,943)</b>	<b>8,652,913</b>
Fixed maturity securities, bonds available-for-sale				
U.S. treasury and government	22,415	825	(7)	23,233
U.S. states and political subdivisions	802,846	36,151	(1,381)	837,616
Foreign governments	5,000	2,021		7,021
Corporate debt securities	3,812,771	203,048	(15,770)	4,000,049
Residential mortgage-backed securities	40,988	1,903	(492)	42,399
Collateralized debt securities	10,696	863	(70)	11,489
<b>Total bonds available-for-sale</b>	<b>4,694,716</b>	<b>244,811</b>	<b>(17,720)</b>	<b>4,921,807</b>
Equity securities				
Common stock	719,651	774,650	(7,176)	1,487,125
Preferred stock	19,733	10,121	(1)	29,853
<b>Total equity securities</b>	<b>739,384</b>	<b>784,771</b>	<b>(7,177)</b>	<b>1,516,978</b>
<b>Total investments in securities</b>	<b>\$ 13,659,150</b>	<b>\$ 1,506,388</b>	<b>\$ (73,840)</b>	<b>\$ 15,091,698</b>



**Table of Contents****Note 4 Investment in Securities (Continued)**

The amortized cost and fair value, by contractual maturity, of fixed maturity securities are shown below (in thousands):

	March 31, 2015			
	Bonds Held-to-Maturity		Bonds Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 763,705	\$ 778,027	\$ 347,014	\$ 355,345
Due after one year through five years	2,022,357	2,235,239	837,834	909,750
Due after five years through ten years	4,796,691	5,054,077	3,063,953	3,237,161
Due after ten years	380,404	409,994	542,795	563,574
Without single maturity date	5,850	5,025	5,000	4,950
<b>Total</b>	<b>\$ 7,969,007</b>	<b>\$ 8,482,362</b>	<b>\$ 4,796,596</b>	<b>\$ 5,070,780</b>

Actual maturities differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Residential and commercial mortgage-backed securities, which are not due at a single maturity, have been allocated to their respective categories based on the year of final contractual maturity.

Proceeds from sales of available-for-sale securities, with the related gross realized gains and losses, are shown below (in thousands):

	Three months ended March 31,	
	2015	2014
Proceeds from sales of available-for-sale securities	\$ 15,582	\$ 81,664
Gross realized gains	6,783	19,943
Gross realized losses		(2,122)

Gains and losses are determined using specific identification of the securities sold. During the three months ended March 31, 2015 there were no bonds transferred from held-to-maturity to available-for-sale. During the three months ended March 31, 2014 bonds with a carrying value of \$14,818,000, were transferred from held-to-maturity to available-for-sale after a significant deterioration in the issuers creditworthiness became evident. Unrealized gains of \$339,000 were established following the transfer at fair value.

The components of the change in net unrealized gains (losses) on securities are shown below (in thousands):

	Three months ended March 31,	
	2015	2014
Bonds available-for-sale	\$ 47,093	\$ 55,574

Equity securities	(12,435)	15,517
Change in net unrealized gains (losses) on securities during the year	34,658	71,091
Adjustments for		
Deferred policy acquisition costs	(14,048)	(12,638)
Participating policyholders' interest	(2,882)	(4,751)
Deferred federal income tax expense	(9,892)	(19,868)
<b>Change in net unrealized gains (losses) on securities, net of tax</b>	<b>\$ 7,836</b>	<b>\$ 33,834</b>

**Table of Contents****Note 4 Investment in Securities (Continued)**

The gross unrealized losses and fair value of the investment securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are shown below (in thousands):

	Less than 12 months		March 31, 2015 12 Months or more		Total	
	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value
Fixed maturity securities, bonds held-to-maturity						
U.S. states and political subdivisions	\$	\$	\$ (37)	\$ 134	\$ (37)	\$ 134
Corporate debt securities	(14,690)	501,908	(13,323)	227,587	(28,013)	729,495
Residential mortgage-backed securities	(251)	16,343	(794)	14,158	(1,045)	30,501
<b>Total bonds held-to-maturity</b>	<b>(14,941)</b>	<b>518,251</b>	<b>(14,154)</b>	<b>241,879</b>	<b>(29,095)</b>	<b>760,130</b>
Fixed maturity securities, bonds available-for-sale						
U.S. treasury and government	(3)	6,046			(3)	6,046
U.S. states and political subdivisions	(895)	94,492	(189)	2,817	(1,084)	97,309
Corporate debt securities	(6,847)	330,836	(1,188)	77,730	(8,035)	408,566
Residential mortgage-backed securities	(190)	17,862	(107)	1,569	(297)	19,431
Collateralized debt securities	(1)	248	(7)	319	(8)	567
<b>Total bonds available-for-sale</b>	<b>(7,936)</b>	<b>449,484</b>	<b>(1,491)</b>	<b>82,435</b>	<b>(9,427)</b>	<b>531,919</b>
Equity securities						
Common stock	(13,234)	72,577			(13,234)	72,577
Preferred stock						
<b>Total equity securities</b>	<b>(13,234)</b>	<b>72,577</b>			<b>(13,234)</b>	<b>72,577</b>
<b>Total</b>	<b>\$ (36,111)</b>	<b>\$ 1,040,312</b>	<b>\$ (15,645)</b>	<b>\$ 324,314</b>	<b>\$ (51,756)</b>	<b>\$ 1,364,626</b>

	Less than 12 months		December 31, 2014 12 Months or more		Total	
	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value

Fixed maturity securities, bonds held-to-maturity						
U.S. states and political subdivisions	\$ (37)	\$ 3,388	\$ (56)	\$ 2,465	\$ (93)	\$ 5,853
Corporate debt securities	(20,575)	523,766	(26,740)	662,362	(47,315)	1,186,128
Residential mortgage-backed securities	(232)	12,186	(1,303)	31,163	(1,535)	43,349
<b>Total bonds held-to-maturity</b>	<b>(20,844)</b>	<b>539,340</b>	<b>(28,099)</b>	<b>695,990</b>	<b>(48,943)</b>	<b>1,235,330</b>
Fixed maturity securities, bonds available-for-sale						
U.S. treasury and government	(7)	14,552			(7)	14,552
U.S. states and political subdivisions	(166)	27,719	(1,215)	78,851	(1,381)	106,570
Corporate debt securities	(8,852)	384,451	(6,918)	288,808	(15,770)	673,259
Residential mortgage-backed securities	(170)	9,386	(322)	14,042	(492)	23,428
Collateralized debt securities	(63)	2,033	(7)	339	(70)	2,372
<b>Total bonds available-for-sale</b>	<b>(9,258)</b>	<b>438,141</b>	<b>(8,462)</b>	<b>382,040</b>	<b>(17,720)</b>	<b>820,181</b>
Equity securities						
Common stock	(7,176)	43,907			(7,176)	43,907
Preferred stock	(1)				(1)	
<b>Total equity securities</b>	<b>(7,177)</b>	<b>43,907</b>			<b>(7,177)</b>	<b>43,907</b>
<b>Total</b>	<b>\$ (37,279)</b>	<b>\$ 1,021,388</b>	<b>\$ (36,561)</b>	<b>\$ 1,078,030</b>	<b>\$ (73,840)</b>	<b>\$ 2,099,418</b>

As of March 31, 2015, the securities with unrealized losses including those exceeding one year were not deemed to be other-than-temporarily impaired. American National has the ability and intent to hold those securities until a market price recovery or maturity. It is not more-likely-than-not that American National will be required to sell them prior to recovery, and recovery is expected in a reasonable period of time. It is possible an issuer's financial circumstances may be different in the future, which may lead to a different impairment conclusion in future periods.

**Table of Contents****Note 4 Investment in Securities (Continued)**

Bonds distributed by credit quality rating, using both S&P and Moody's ratings, are shown below:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
AAA	5.1%	5.0%
AA	12.3	12.8
A	39.9	39.4
BBB	39.1	39.5
BB and below	3.6	3.3
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Equity securities by market sector distribution are shown below:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Consumer goods	21.1%	20.4%
Energy and utilities	15.1	13.3
Financials	19.3	19.1
Healthcare	15.0	14.0
Industrials	8.4	8.4
Information technology	15.5	16.2
Other	5.6	8.6
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**Note 5 Mortgage Loans**

Generally, commercial mortgage loans are secured by first liens on income-producing real estate. American National attempts to maintain a diversified portfolio by considering the property-type and location of the underlying collateral. The distribution based on carrying amount of mortgage loans by property-type and location are as follows:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Hotel and motel	10.4%	10.8%
Industrial	20.9	20.9
Office	36.8	36.1
Retail	17.5	18.1
Other	14.4	14.1
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
East North Central	19.8%	19.4%
East South Central	5.1	5.0
Mountain	11.0	11.0
Pacific	9.6	10.8
South Atlantic	22.6	21.9
West South Central	25.4	24.9
Other	6.5	7.0
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

As of March 31, 2015, American National had foreclosed on one loan with a recorded investment of \$5,945,000; there were no loans foreclosed for the same period in 2014. American National sold no commercial loans for the three months ended March 31, 2015 and 2014.

The credit quality of the mortgage loan portfolio is assessed by evaluating the credit risk of each borrower. A loan is classified as performing or non-performing based on whether all of the contractual terms of the loan have been met.

**Table of Contents****Note 5 Mortgage Loans (Continued)**

The age analysis of past due commercial mortgage loans is shown below (in thousands):

	<b>30-59 Days Past Due</b>			<b>60-89 Days Past Due</b>		<b>Total Mortgage Loans</b>
<b>March 31, 2015</b>	<b>Past Due</b>	<b>Past Due</b>	<b>Greater Than 90 Days</b>	<b>Total Past Due</b>	<b>Current</b>	
Industrial	\$	\$	\$	\$	\$ 701,712	\$ 701,712
Office			13,383	13,383	1,226,713	1,240,096
Retail					587,088	587,088
Other					833,748	833,748
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$ 13,383</b>	<b>\$ 13,383</b>	<b>\$ 3,349,261</b>	<b>3,362,644</b>

Allowance for loan losses 18,384

**Mortgage loans on real estate, net of allowance \$ 3,344,260**

**December 31, 2014**

Industrial	\$	\$	\$	\$	\$ 702,541	\$ 702,541
Office			19,327	19,327	1,201,833	1,221,160
Retail					615,813	615,813
Other					837,932	837,932
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$ 19,327</b>	<b>\$ 19,327</b>	<b>\$ 3,358,119</b>	<b>\$ 3,377,446</b>

Allowance for loan losses 17,860

**Mortgage loans on real estate, net of allowance \$ 3,359,586**

Total mortgage loans are net of unamortized discounts of \$608,000 and \$658,000 and unamortized origination fees of \$14,574,000 and \$15,659,000 at March 31, 2015 and December 31, 2014, respectively. No unearned income is included in these amounts.

**Allowance for Credit Losses**

Loans not evaluated individually for collectability are segregated by property-type and location, and allowance factors are applied. These factors are developed annually and reviewed quarterly based on our historical loss experience adjusted for the expected trend in the rate of foreclosure losses. Allowance factors are higher for loans of certain property types and in certain regions based on loss experience or a blended historical loss factor.

The change in allowance for credit losses in commercial mortgage loans is shown below (in thousands):

	Three months ended March 31,	
	Collectively Evaluated for Impairment	Individually Evaluated for Impairment
<b>Beginning balance, 2015</b>	<b>\$ 12,277</b>	<b>\$ 5,583</b>
Change in allowance	(1,078)	1,602
<b>Ending balance, 2015</b>	<b>\$ 11,199</b>	<b>\$ 7,185</b>

At March 31, 2015 and December 31, 2014, the recorded investment for loans collectively evaluated for impairment was \$3,330,569,000 and \$3,321,241,000, respectively, and the recorded investment for loans individually evaluated for impairment was \$32,075,000 and \$56,205,000, respectively.



**Table of Contents****Note 5 Mortgage Loans (Continued)**

Loans individually evaluated for impairment with and without an allowance are shown below (in thousands):

	Three months ended			
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
<b>With an allowance recorded</b>				
Office	\$ 9,979	\$ 209	\$	\$
Industrial	1,100	37		
Retail			493	
<b>Total</b>	<b>\$ 11,079</b>	<b>\$ 246</b>	<b>\$ 493</b>	<b>\$</b>
<b>Without an allowance recorded</b>				
Office	\$ 20,996	\$ 341	\$ 12,377	\$ 204
Industrial			2,721	45
Other			1,410	17
<b>Total</b>	<b>\$ 20,996</b>	<b>\$ 341</b>	<b>\$ 16,508</b>	<b>\$ 266</b>
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance
<b>With an allowance recorded</b>				
Office	\$ 9,979	\$ 13,383	\$ 26,563	\$ 31,653
Industrial	1,100	2,702		
Retail				493
<b>Total</b>	<b>\$ 11,079</b>	<b>\$ 16,085</b>	<b>\$ 26,563</b>	<b>\$ 32,146</b>
<b>Without an allowance recorded</b>				
Office	\$ 20,996	\$ 20,996	\$ 26,941	\$ 26,941
Industrial			2,702	2,702
<b>Total</b>	<b>\$ 20,996</b>	<b>\$ 20,996</b>	<b>\$ 29,643</b>	<b>\$ 29,643</b>

**Troubled Debt Restructurings**

American National has granted concessions which are classified as troubled debt restructurings to mortgage loan borrowers. Concessions are generally one of, or a combination of, a delay in payment of principal or interest, a reduction of the contractual interest rate or an extension of the maturity date. American National considers the amount, timing and extent of concessions in determining any impairment or changes in the specific allowance for loan losses recorded in connection with a troubled debt restructuring. The carrying value after specific allowance, before and after modification in a troubled debt restructuring, may not change significantly, or may increase if the expected recovery is higher than the pre-modification recovery assessment.

The number of mortgage loans and recorded investment in troubled debt restructuring are as follows:

	Three months ended March 31,			
	2015		2014	
	Recorded	Recorded	Recorded	Recorded
Number of contracts	investment pre-modification	investment post-modification	investment pre-modification	investment post-modification
Office		1	\$ 6,432	\$ 6,432

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There are no commitments to lend additional funds to debtors whose loans have been modified in troubled debt restructuring, and there have been no defaults on modified loans during the periods presented.

**Note 6 Investment Real Estate**

Investment real estate by property-type and geographic distribution are as follows:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Industrial	12.7%	13.0%
Office	27.2	25.0
Retail	43.2	44.1
Other	16.9	17.9
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
East North Central	6.7%	4.5%
East South Central	4.2	4.6
Mountain	9.1	9.6
Pacific	6.6	7.1
South Atlantic	11.7	12.2
West South Central	55.7	55.6
Other	6.0	6.4
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

American National regularly invests in real estate partnerships and joint ventures. American National frequently participates in the design of these entities with the sponsor, but in most cases, its involvement is limited to financing. Through analysis performed by American National, some of these partnerships and joint ventures have been determined to be variable interest entities ( VIEs ). In certain instances, in addition to an economic interest in the entity, American National holds the power to direct the most significant activities of the entity and is deemed the primary beneficiary or consolidator of the entity. The assets of the consolidated VIEs are restricted and must first be used to settle their liabilities. Creditors or beneficial interest holders of these VIEs have no recourse to the general credit of American National, as American National's obligation is limited to the amount of its committed investment. American National has not provided financial or other support to the VIEs in the form of liquidity arrangements, guarantees, or other commitments to third parties that may affect the fair value or risk of its variable interest in the VIEs in 2015 or 2014.

The assets and liabilities relating to the VIEs included in the consolidated financial statements are as follows (in thousands):

**March 31, 2015      December 31, 2014**

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Investment real estate	\$	153,777	\$	140,032
Short-term investments		1		1
Cash and cash equivalents		2,293		2,495
Accrued investment income				683
Other receivables		7,998		7,999
Other assets		9,357		8,483
<b>Total assets of consolidated VIEs</b>	<b>\$</b>	<b>173,426</b>	<b>\$</b>	<b>159,693</b>
Notes payable	\$	116,435	\$	108,177
Other liabilities		12,287		8,954
<b>Total liabilities of consolidated VIEs</b>	<b>\$</b>	<b>128,722</b>	<b>\$</b>	<b>117,131</b>

**Table of Contents****Note 6 Investment Real Estate (Continued)**

The notes payable in the consolidated statements of financial position pertain to the borrowings of the consolidated VIEs. The liability of American National Insurance Company relating to notes payable of the consolidated VIEs is limited to the amount of its direct or indirect investment in the respective ventures, which totaled \$15,031,000 and \$15,016,000 at March 31, 2015 and December 31, 2014, respectively. The total long-term portion of notes payable consists of four notes with the following interest rates: 4.0%, prime plus .5%, and two notes with adjusted LIBOR plus LIBOR margin. Of the long-term notes payable, \$9,375,000 will mature in 2016, with the remainder maturing beyond 5 years.

For other VIEs in which American National is a partner, it is not the primary beneficiary and these entities were not consolidated, as the major decisions that most significantly impact the economic activities of the VIE require unanimous consent of all partners. The following table presents the carrying amount and maximum exposure to loss relating to unconsolidated VIEs (in thousands):

	<b>March 31, 2015</b>		<b>December 31, 2014</b>	
	<b>Carrying</b>	<b>Maximum</b>	<b>Carrying</b>	<b>Maximum</b>
	<b>Amount</b>	<b>Exposure</b>	<b>Amount</b>	<b>Exposure</b>
		<b>to Loss</b>		<b>to Loss</b>
Investment in unconsolidated affiliates	\$ 138,667	\$ 138,667	\$ 157,620	\$ 157,620
Mortgage loans	198,272	198,272	172,408	172,408
Accrued investment income	847	847	721	721

As of March 31, 2015, a real estate investment with a carrying value of \$4,027,000 was classified as held for sale.

**Note 7 Derivative Instruments**

American National purchases over-the-counter equity-indexed options as economic hedges against fluctuations in the equity markets to which equity-indexed products are exposed. Equity-indexed contracts include a fixed host universal-life insurance or annuity contract and an equity-indexed embedded derivative. The detail of derivative instruments is shown below (in thousands, except number of instruments):

<b>Derivatives Not Designated</b>	<b>Location in the Consolidated</b>	<b>March 31, 2015</b>			<b>December 31, 2014</b>		
		<b>Number</b>	<b>Notional</b>	<b>Estimated</b>	<b>Number</b>	<b>Notional</b>	<b>Estimated</b>
<b>s Hedging Instruments</b>	<b>Statements of Financial Position</b>	<b>of</b>	<b>Amounts</b>	<b>Fair</b>	<b>of</b>	<b>Amounts</b>	<b>Fair</b>
		<b>Instruments</b>		<b>Value</b>	<b>Instruments</b>		<b>Value</b>
Equity-indexed options	Other invested assets	448	\$ 1,129,800	\$ 188,006	436	\$ 1,095,300	\$ 189,449
Equity-indexed embedded derivative	Policyholders' account balances	44,085	987,100	208,412	42,287	961,300	208,187

<b>Derivatives Not Designated</b>	<b>Location in the Consolidated</b>	<b>Gains (Losses) Recognized in Income on Derivatives</b>
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as Hedging Instruments	Statements of Operations	Three months ended March 31,	
		2015	2014
Equity-indexed options	Net investment income	\$ 1,131	\$ 3,985
Equity-indexed embedded derivative	Interest credited to policyholders account balances	(1,196)	(2,896)

**Table of Contents****Note 8 Net Investment Income and Realized Investment Gains (Losses)**

Net investment income is shown below (in thousands):

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Bonds	\$ 143,741	\$ 151,516
Equity securities	8,467	9,084
Mortgage loans	49,499	51,454
Real estate	(1,753)	(4,971)
Options	1,131	3,985
Other invested assets	8,128	7,755
<b>Total</b>	<b>\$ 209,213</b>	<b>\$ 218,823</b>

Realized investment gains (losses) are shown below (in thousands):

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Bonds	\$ 1,298	\$ 16,619
Equity securities	28,627	6,531
Mortgage loans	(524)	(728)
Real estate	9,911	4,963
Other invested assets	(10)	(939)
<b>Total</b>	<b>\$ 39,302</b>	<b>\$ 26,446</b>

Other-than-temporary impairment losses are shown below (in thousands):

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Bonds	\$	\$ (41)
Equity securities	(25)	(934)
<b>Total</b>	<b>\$ (25)</b>	<b>\$ (975)</b>

**Table of Contents****Note 9 Fair Value of Financial Instruments**

The carrying amount and fair value of financial instruments are shown below (in thousands):

	<b>March 31, 2015</b>		<b>December 31, 2014</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<b>Financial assets</b>				
Fixed maturity securities, bonds held-to-maturity	\$ 7,969,007	\$ 8,482,362	\$ 8,225,050	\$ 8,652,913
Fixed maturity securities, bonds available-for-sale	5,070,780	5,070,780	4,921,807	4,921,807
Equity securities	1,521,619	1,521,619	1,516,978	1,516,978
Equity-indexed options	188,006	188,006	189,449	189,449
Mortgage loans on real estate, net of allowance	3,344,260	3,558,237	3,359,586	3,618,944
Policy loans	406,394	406,394	405,979	405,979
Short-term investments	520,333	520,333	431,000	431,000
Separate account assets	992,970	992,970	1,001,515	1,001,515
<b>Total financial assets</b>	<b>\$ 20,013,369</b>	<b>\$ 20,740,701</b>	<b>\$ 20,051,364</b>	<b>\$ 20,738,585</b>
<b>Financial liabilities</b>				
Investment contracts	\$ 8,705,429	\$ 8,705,429	\$ 8,894,747	\$ 8,894,747
Embedded derivative liability for equity-indexed contracts	208,412	208,412	208,187	208,187
Notes payable	116,435	116,435	108,177	108,177
Separate account liabilities	992,970	992,970	1,001,515	1,001,515
<b>Total financial liabilities</b>	<b>\$ 10,023,246</b>	<b>\$ 10,023,246</b>	<b>\$ 10,212,626</b>	<b>\$ 10,212,626</b>

**Summary**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. A fair value hierarchy is used to determine fair value based on a hypothetical transaction at the measurement date from the perspective of a market participant. American National has evaluated the types of securities in its investment portfolio to determine an appropriate hierarchy level based upon trading activity and the observability of market inputs. The classification of assets or liabilities within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Quoted prices in markets that are not active or inputs that are observable directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices



in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect American National's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and third-party evaluation, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

**Fixed Maturity Securities and Equity Options** American National utilizes a pricing service to estimate fair value measurements. The estimates of fair value for most fixed maturity securities, including municipal bonds, provided by the pricing service are disclosed as Level 2 measurements as the estimates are based on observable market information rather than market quotes.

**Table of Contents****Note 9 Fair Value of Financial Instruments (Continued)**

The pricing service utilizes market quotations for fixed maturity securities that have quoted prices in active markets. Since fixed maturity securities generally do not trade on a daily basis, the pricing service prepares estimates of fair value measurements for these securities using its proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. Additionally, an option adjusted spread model is used to develop prepayment and interest rate scenarios.

The pricing service evaluates each asset class based on relevant market information, credit information, perceived market movements and sector news. The market inputs utilized in the pricing evaluation, listed in the approximate order of priority, include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and economic events. The extent of the use of each market input depends on the asset class and the market conditions. Depending on the security, the priority of the use of inputs may change or some market inputs may not be relevant. For some securities, additional inputs may be necessary.

American National has reviewed the inputs and methodology used and the techniques applied by the pricing service to produce quotes that represent the fair value of a specific security. The review confirms that the pricing service is utilizing information from observable transactions or a technique that represents a market participant's assumptions. American National does not adjust quotes received from the pricing service. The pricing service utilized by American National has indicated that they will only produce an estimate of fair value if there is objectively verifiable information available.

American National holds a small amount of private placement debt and fixed maturity securities that have characteristics that make them unsuitable for matrix pricing. For these securities, a quote from an independent broker (typically a market maker) is obtained. Due to the disclaimers on the quotes that indicate that the price is indicative only, American National includes these fair value estimates in Level 3.

For securities priced using a quote from an independent broker, such as the equity options and certain fixed maturity securities, American National uses a market-based fair value analysis to validate the reasonableness of prices received from an independent broker. Price variances above a certain threshold are analyzed further to determine if any pricing issue exists. This analysis is performed quarterly.

**Equity Securities** For publicly-traded equity securities, prices are received from a nationally recognized pricing service that are based on observable market transactions, and these securities are classified as Level 1 measurements. For certain preferred stock, current market quotes in active markets are unavailable. In these instances, an estimate of fair value is received from the pricing service. The service utilizes similar methodologies to price preferred stocks as it does for fixed maturity securities. These estimates are disclosed as Level 2 measurements. American National tests the accuracy of the information provided by reference to other services regularly.

**Mortgage Loans** The fair value of mortgage loans is estimated using discounted cash flow analyses on a loan by loan basis by applying a discount rate to expected cash flows from future installment and balloon payments. The discount rate takes into account general market trends and specific credit risk trends for the individual loan. Factors used to arrive at the discount rate include inputs from spreads based on U.S. Treasury notes and the loan's credit quality, region, property type, lien priority, payment type and current status.

**Embedded Derivative** The embedded derivative liability for equity-indexed contracts is measured at fair value and is recalculated each reporting period using equity option pricing models. To validate the assumptions used to price the embedded derivative liability, American National measures and compares embedded derivative returns against the returns of equity options held to hedge the liability cash flows.

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**Note 9 Fair Value of Financial Instruments (Continued)**

The significant unobservable input used to calculate the fair value of the embedded derivatives is equity option implied volatility. An increase in implied volatility will result in an increase in the value of the equity-indexed embedded derivatives, all other things being equal. At March 31, 2015 and December 31, 2014, the one year implied volatility used to estimate embedded derivative value was 16.7% and 17.3%, respectively.

**Other Financial Instruments** Other financial instruments classified as Level 3 measurements, as there is little or no market activity, are as follows:

**Policy loans** The carrying value of policy loans is the outstanding balance plus any accrued interest. Due to the collateralized nature of policy loans that it cannot be separated from the policy contract and the unpredictable timing of repayments and that settlement is at outstanding value, American National believes the carrying value of policy loans approximates fair value.

**Investment contracts** The carrying value of investment contracts is equivalent to the accrued account balance. The accrued account balance consists of deposits, net of withdrawals, plus or minus interest credited, fees and charges assessed and other adjustments. American National believes that the carrying value of investment contracts approximates fair value because the majority of these contracts' interest rates reset to current rates offered at anniversary.

**Notes payable** Notes payable are carried at outstanding principal balance. The carrying value of the notes payable approximates fair value because the underlying interest rates approximate market rates at the balance sheet date.

**Table of Contents****Note 9 Fair Value of Financial Instruments (Continued)****Quantitative Disclosures**

The fair value hierarchy measurements of the financial instruments are shown below (in thousands):

	Fair Value Measurement as of March 31, 2015			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Fixed maturity securities, bonds held-to-maturity				
U.S. states and political subdivisions	\$ 342,985	\$	\$ 342,985	\$
Foreign governments	5,242		5,242	
Corporate debt securities	7,769,920		7,714,782	55,138
Residential mortgage-backed securities	344,778		343,826	952
Collateralized debt securities	2,125			2,125
Other debt securities	17,312		12,842	4,470
<b>Total bonds held-to-maturity</b>	<b>8,482,362</b>		<b>8,419,677</b>	<b>62,685</b>
Fixed maturity securities, bonds available-for-sale				
U.S. treasury and government	24,929		24,929	
U.S. states and political subdivisions	889,527		887,027	2,500
Foreign governments	7,105		7,105	
Corporate debt securities	4,099,308		4,040,371	58,937
Residential mortgage-backed securities	38,757		36,831	1,926
Collateralized debt securities	11,154		9,218	1,936
<b>Total bonds available-for-sale</b>	<b>5,070,780</b>		<b>5,005,481</b>	<b>65,299</b>
Equity securities				
Common stock	1,489,856	1,489,856		
Preferred stock	31,763	31,763		
<b>Total equity securities</b>	<b>1,521,619</b>	<b>1,521,619</b>		
Options	188,006			188,006
Mortgage loans on real estate	3,558,237		3,558,237	
Policy loans	406,394			406,394
Short-term investments	520,333		520,333	
Separate account assets	992,970		992,970	

<b>Total financial assets</b>	<b>\$ 20,740,701</b>	<b>\$ 1,521,619</b>	<b>\$ 18,496,698</b>	<b>\$ 722,384</b>
Financial liabilities				
Investment contracts	\$ 8,705,429	\$	\$	\$ 8,705,429
Embedded derivative liability for equity-indexed contracts	208,412			208,412
Notes payable	116,435			116,435
Separate account liabilities	992,970		992,970	
<b>Total financial liabilities</b>	<b>\$ 10,023,246</b>	<b>\$</b>	<b>\$ 992,970</b>	<b>\$ 9,030,276</b>

**Table of Contents****Note 9 Fair Value of Financial Instruments (Continued)**

	Fair Value Measurement as of December 31, 2014			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Fixed maturity securities, bonds held-to-maturity				
U.S. states and political subdivisions	\$ 349,760	\$	\$ 349,760	\$
Foreign governments	30,423		30,423	
Corporate debt securities	7,894,725		7,833,564	61,161
Residential mortgage-backed securities	357,635		356,670	965
Collateralized debt securities	2,470			2,470
Other debt securities	17,900		12,975	4,925
<b>Total bonds held-to-maturity</b>	<b>8,652,913</b>		<b>8,583,392</b>	<b>69,521</b>
Fixed maturity securities, bonds available-for-sale				
U.S. treasury and government	23,233		23,233	
U.S. states and political subdivisions	837,616		835,106	2,510
Foreign governments	7,021		7,021	
Corporate debt securities	4,000,049		3,941,925	58,124
Residential mortgage-backed securities	42,399		40,473	1,926
Collateralized debt securities	11,489		9,616	1,873
<b>Total bonds available-for-sale</b>	<b>4,921,807</b>		<b>4,857,374</b>	<b>64,433</b>
Equity securities				
Common stock	1,487,125	1,487,125		
Preferred stock	29,853	29,853		
<b>Total equity securities</b>	<b>1,516,978</b>	<b>1,516,978</b>		
Options	189,449			189,449
Mortgage loans on real estate	3,618,944		3,618,944	
Policy loans	405,979			405,979
Short-term investments	431,000		431,000	
Separate account assets	1,001,515		1,001,515	
<b>Total financial assets</b>	<b>\$ 20,738,585</b>	<b>\$ 1,516,978</b>	<b>\$ 18,492,225</b>	<b>\$ 729,382</b>
Financial liabilities				
Investment contracts	\$ 8,894,747	\$	\$	\$ 8,894,747

Embedded derivative liability for equity-indexed contracts	208,187		208,187
Notes payable	108,177		108,177
Separate account liabilities	1,001,515		1,001,515
<b>Total financial liabilities</b>	<b>\$ 10,212,626</b>	<b>\$</b>	<b>\$ 1,001,515 \$ 9,211,111</b>



**Table of Contents****Note 9 Fair Value of Financial Instruments (Continued)**

For financial instruments measured at fair value on a recurring basis using Level 3 inputs during the period, a reconciliation of the beginning and ending balances is shown below (in thousands):

	Level 3 Three months ended March 31,		
	Assets	Equity-	Liability
	Investment	Indexed	Embedded
	Securities	Options	Derivative
<b>Beginning balance, 2015</b>	<b>\$ 64,433</b>	<b>\$ 189,449</b>	<b>\$ 208,187</b>
Total realized and unrealized investment gains (losses) included in other comprehensive income	937		
Net fair value change included in realized gains (losses)			
Net gain (loss) for derivatives included in net investment income		(743)	
Net change included in interest credited			1,196
Purchases, sales and settlements or maturities			
Purchases		3,763	
Sales	(61)		
Settlements or maturities	(10)	(4,463)	
Premiums less benefits			(971)
Gross transfers into Level 3			
Gross transfers out of Level 3			
<b>Ending balance March 31, 2015</b>	<b>\$ 65,299</b>	<b>\$ 188,006</b>	<b>\$ 208,412</b>
<b>Beginning balance, 2014</b>	<b>\$ 48,304</b>	<b>\$ 164,753</b>	<b>\$ 148,435</b>
Total realized and unrealized investment gains (losses) included in other comprehensive income	(12,194)		
Net fair value change included in realized gains (losses)	13,056		
Net gain (loss) for derivatives included in net investment income		2,112	
Net change included in interest credited			2,896
Purchases, sales and settlements or maturities			
Purchases		4,673	
Sales	(37,188)		
Settlements or maturities	(5)	(25,391)	
Premiums less benefits			3,860
Gross transfers into Level 3			
Gross transfers out of Level 3			
<b>Ending balance March 31, 2014</b>	<b>\$ 11,973</b>	<b>\$ 146,147</b>	<b>\$ 155,191</b>

Within the net gain (loss) for derivatives included in net investment income were unrealized gains (losses) of \$(3,309,000) and \$(11,397,000) relating to assets still held at March 31, 2015 and 2014, respectively.

There were no transfers between fair value hierarchies during the three months ended March 31, 2015 or 2014.

**Table of Contents****Note 10 Deferred Policy Acquisition Costs**

Deferred policy acquisition costs are shown below (in thousands):

	<b>Life</b>	<b>Annuity</b>	<b>Accident &amp; Health</b>	<b>Property &amp; Casualty</b>	<b>Total</b>
<b>Beginning balance, 2015</b>	<b>\$ 711,469</b>	<b>\$ 382,441</b>	<b>\$ 47,784</b>	<b>\$ 111,850</b>	<b>\$ 1,253,544</b>
Additions	25,038	8,955	3,954	55,595	93,542
Amortization	(17,624)	(20,429)	(5,079)	(56,872)	(100,004)
Effect of change in unrealized gains on available-for-sale securities	(2,883)	(11,165)			(14,048)
<b>Net change</b>	<b>4,531</b>	<b>(22,639)</b>	<b>(1,125)</b>	<b>(1,277)</b>	<b>(20,510)</b>
<b>Ending balance at March 31, 2015</b>	<b>\$ 716,000</b>	<b>\$ 359,802</b>	<b>\$ 46,659</b>	<b>\$ 110,573</b>	<b>\$ 1,233,034</b>

Commissions comprise the majority of the additions to deferred policy acquisition costs for each year.

**Note 11 Liability for Unpaid Claims and Claim Adjustment Expenses**

The liability for unpaid claims and claim adjustment expenses ( claims ) for accident and health, and property and casualty insurance is included in Policy and contract claims in the consolidated statements of financial position and is the amount estimated for claims that have been reported but not settled and IBNR claims. Liability for unpaid claims are estimated based upon American National's historical experience and actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs and reduced for anticipated salvage and subrogation. The effects of the changes are included in the consolidated results of operations in the period in which the changes occur.

Information regarding the liability for unpaid claims is shown below (in thousands):

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Unpaid claims balance, beginning</b>	<b>\$ 1,132,395</b>	<b>\$ 1,096,301</b>
Less reinsurance recoverables	245,906	215,161
<b>Net beginning balance</b>	<b>886,489</b>	<b>881,140</b>
Incurred related to		
Current	239,128	229,727
Prior years	(12,100)	(11,369)
<b>Total incurred claims</b>	<b>227,028</b>	<b>218,358</b>

Paid claims related to		
Current	98,382	94,693
Prior years	124,534	121,876
<b>Total paid claims</b>	<b>222,916</b>	<b>216,569</b>
Net balance	890,601	882,929
Plus reinsurance recoverables	236,370	214,505
<b>Unpaid claims balance, ending</b>	<b>\$ 1,126,971</b>	<b>\$ 1,097,434</b>

The net and gross reserve calculations have shown favorable development as a result of favorable loss emergence compared to what was implied by the loss development patterns used in the original estimation of losses in prior years. Estimates for ultimate incurred claims attributable to insured events of prior years decreased by approximately \$12,100,000 during the first three months of 2015 and \$11,369,000 during the first three months of 2014.

**Table of Contents****Note 12 Federal Income Taxes**

A reconciliation of the effective tax rate to the statutory federal tax rate is shown below (in thousands, except percentages):

	<b>Three months ended March 31,</b>		<b>2014</b>	
	<b>2015</b>		<b>(As Adjusted)</b>	
	<b>Amount</b>	<b>Rate</b>	<b>Amount</b>	<b>Rate</b>
Income tax on pre-tax income	\$ 31,976	35.0%	\$ 26,064	35.0%
Tax-exempt investment income	(1,879)	(2.1)	(1,553)	(2.1)
Dividend exclusion	(2,083)	(2.3)	(1,888)	(2.5)
Miscellaneous tax credits, net	(1,931)	(2.1)	(1,551)	(2.1)
Low income housing tax credit expense	1,264	1.4	1,421	1.9
Other items, net	(1,461)	(1.6)	415	0.6
<b>Total</b>	<b>\$ 25,886</b>	<b>28.3%</b>	<b>\$ 22,908</b>	<b>30.8%</b>

American National made payments of \$370,000 and \$808,300 during the three months ended March 31, 2015 and 2014, respectively.

Management believes that a sufficient level of taxable income will be achieved over time to utilize the deferred tax assets in the consolidated federal tax return; therefore, no valuation allowance was recorded as of March 31, 2015 and 2014. There are no ordinary loss tax carryforwards that will expire by December 31, 2015.

The statute of limitations for the examination of federal income tax returns by the Internal Revenue Service for years 2006 to 2009 has been extended. In the opinion of management, all prior year deficiencies have been paid or adequate provisions have been made for any tax deficiencies that may be upheld. No provision for penalties was established, and no interest expense was incurred for 2015 or 2014 relating to uncertain tax positions. Management does not believe there are any uncertain tax benefits that could be recognized within the next twelve months that would decrease American National's effective tax rate.

**Table of Contents****Note 13 Accumulated Other Comprehensive Income (Loss)**

The components of and changes in the accumulated other comprehensive income ( AOCI ), and the related tax effects, are shown below (in thousands):

	<b>Net Unrealized Gains/(Losses) on Securities</b>	<b>Defined Benefit Pension Plan Adjustments</b>	<b>Foreign Currency Adjustments</b>	<b>AOCI</b>
<b>Beginning balance, 2015</b>	<b>\$ 568,151</b>	<b>\$ (76,074)</b>	<b>\$ (1,295)</b>	<b>\$ 490,782</b>
Amounts reclassified from AOCI (net of tax benefit \$7,502 and expense \$777)	(21,184)	1,443		(19,741)
Unrealized holding gains arising during the period (net of tax expense \$23,320)	40,024			40,024
Unrealized adjustment to DAC (net of tax benefit \$4,917)	(9,131)			(9,131)
Unrealized gains on investments attributable to participating policyholders' interest (net of tax benefit \$1,009)	(1,873)			(1,873)
Foreign currency adjustment (net of tax expense \$990)			(1,838)	(1,838)
<b>Ending balance at March 31, 2015</b>	<b>\$ 575,987</b>	<b>\$ (74,631)</b>	<b>\$ (3,133)</b>	<b>\$ 498,223</b>
<b>Beginning balance, 2014</b>	<b>\$ 457,937</b>	<b>\$ (43,884)</b>	<b>\$ (341)</b>	<b>\$ 413,712</b>
Amounts reclassified from AOCI (net of tax benefit \$7,289 and expense \$386)	(13,536)	717		(12,819)
Unrealized holding gains arising during the period (net of tax expense \$32,171)	59,745			59,745
Unrealized adjustment to DAC (net of tax benefit \$3,351)	(9,287)			(9,287)
Unrealized gains on investments attributable to participating policyholders' interest (net of tax benefit \$1,663)	(3,088)			(3,088)
Foreign currency adjustment (net of tax benefit \$520)			(966)	(966)
<b>Ending balance at March 31, 2014</b>	<b>\$ 491,771</b>	<b>\$ (43,167)</b>	<b>\$ (1,307)</b>	<b>\$ 447,297</b>

**Table of Contents****Note 14 Stockholders Equity and Noncontrolling Interests**

American National has one class of common stock with a par value of \$1.00 per share and 50,000,000 authorized shares. The amounts outstanding at the dates indicated are shown below:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Common stock</b>		
Shares issued	30,832,449	30,832,449
Treasury shares	(3,935,467)	(3,960,507)
<b>Outstanding shares</b>	<b>26,896,982</b>	<b>26,871,942</b>
Restricted shares	(142,667)	(142,667)
<b>Unrestricted outstanding shares</b>	<b>26,754,315</b>	<b>26,729,275</b>

**Stock-based compensation**

American National has one stock-based compensation plan, which allows for grants of Non-Qualified Stock Options, Stock Appreciation Rights ( SAR ), Restricted Stock ( RS ) Awards, Restricted Stock Units ( RSU ), Performance Awards, Incentive Awards or any combination thereof. This plan is administered by the American National Board Compensation Committee. The Board Compensation Committee makes incentive awards under this plan to our executives after meeting established performance objectives. All awards are subject to review and approval by the committee and the Board of Directors, both at the time of setting applicable performance objectives and at the time of payment of the awards. The number of shares available for grants under the plan cannot exceed 2,900,000 shares, and no more than 200,000 shares may be granted to any one individual in any calendar year. Grants are made to certain officers and directors as compensation and to align their interests with those of other shareholders.

SAR, RS and RSU information for the periods indicated is shown below:

	<b>SAR Weighted- Average Grant</b>			<b>RS Shares Weighted- Average Grant</b>			<b>RS Units Weighted- Average Grant</b>		
	<b>Shares</b>	<b>Date</b>	<b>Fair Value</b>	<b>Shares</b>	<b>Date</b>	<b>Fair Value</b>	<b>Units</b>	<b>Date</b>	<b>Fair Value</b>
<b>Outstanding at December 31, 2014</b>	<b>54,930</b>		<b>\$ 114.86</b>	<b>142,667</b>		<b>\$ 107.39</b>	<b>128,214</b>		<b>\$ 95.82</b>
Granted							83,093		104.75
Exercised							(69,761)		90.43
Forfeited									
Expired	(800)		116.48						
<b>Outstanding at March 31, 2015</b>	<b>54,130</b>		<b>\$ 114.83</b>	<b>142,667</b>		<b>\$ 107.39</b>	<b>141,546</b>		<b>\$ 103.73</b>

	<b>SAR</b>	<b>RS Shares</b>	<b>RS Units</b>
Weighted-average contractual remaining life (in years)	1.46	3.99	2.34
Exercisable shares	53,947	N/A	
Weighted-average exercise price	\$ 114.83	\$ 107.39	\$ 103.72
Weighted-average exercise price exercisable shares	114.86	N/A	N/A
Compensation expense (credits)			
Three months ended March 31, 2015	\$ (77,000)	\$ 377,000	\$ 3,180,000
Three months ended March 31, 2014	(9,000)	505,000	4,814,000
Fair value of liability award			
March 31, 2015	\$ 32,000	N/A	\$ 16,867,000
December 31, 2014	167,000	N/A	16,301,000



**Table of Contents****Note 14 Stockholders Equity and Noncontrolling Interests (Continued)**

The SARs give the holder the right to cash compensation based on the difference between the stock price on the grant date and the stock price on the exercise date. The SARs vest at a rate of 20% per year for five years and expire five years after vesting.

RSU awards allow the recipient of the awards to settle the vested RSUs in either shares of American National's common stock or cash. RSUs vest after a three-year graded vesting requirement or over a shorter period as a result of death, disability or retirement after age 65.

RS Awards entitle the participant to full dividend and voting rights. Each award has the value of one share of restricted stock and vests 10 years from the grant date. Unvested shares are restricted as to disposition, and are subject to forfeiture under certain circumstances. Compensation expense is recognized over the vesting period. The restrictions on these awards lapse after 10 years, and these awards feature a graded vesting schedule in the case of the retirement of an award holder. Restricted stock for 350,334 shares has been granted at an exercise price of zero, of which 142,667 shares are unvested.

**Earnings per share**

Basic earnings per share were calculated using a weighted average number of shares outstanding. The Restricted Stock awards and units resulted in diluted earnings per share as follows:

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
		(As Adjusted)
Weighted average shares outstanding	26,818,215	26,792,281
Incremental shares from RS awards and RSUs	146,135	132,871
<b>Total shares for diluted calculations</b>	<b>26,964,350</b>	<b>26,925,152</b>
Net income attributable to American National (in thousands)	\$ 102,982	\$ 52,254
Basic earnings per share	\$ 3.84	\$ 1.95
Diluted earnings per share	3.82	1.94

**Statutory Capital and Surplus**

Risk Based Capital ( RBC ) requirements are measures insurance regulators use to evaluate the capital adequacy of American National Insurance Company and its insurance subsidiaries. RBC is calculated using formulas applied to certain financial balances and activities that consider, among other things, risks related to the type and quality of the invested assets, insurance risks associated with an insurer's products and liabilities, interest rate risks and general business risks. Insurance companies that do not maintain capital and surplus at a level at least 200% of the authorized control level RBC are required to take certain actions. At March 31, 2015 and December 31, 2014, American National Insurance Company's statutory capital and surplus was \$2,934,396,000 and \$2,879,154,000, respectively. American

National Insurance Company and each of its insurance subsidiaries had statutory capital and surplus at March 31, 2015 and December 31, 2014, substantially above their authorized control level RBC.

**Table of Contents****Note 14 Stockholders Equity and Noncontrolling Interests (Continued)**

American National's insurance subsidiaries prepare statutory-basis financial statements in accordance with statutory accounting practices prescribed or permitted by the insurance department of the state of domicile which include certain components of the National Association of Insurance Commissioners' Codification of Statutory Accounting Principles (NAIC Codification). NAIC Codification is intended to standardize regulatory accounting and reporting to state insurance departments. However, statutory accounting practices continue to be established by individual state laws and permitted practices. Modifications by the various state insurance departments may impact the statutory capital and surplus of American National Insurance Company and its insurance subsidiaries.

Statutory accounting differs from GAAP primarily by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions, and valuing securities on a different basis. In addition, certain assets are not admitted under statutory accounting principles and are charged directly to surplus.

One of American National's insurance subsidiaries has been granted a permitted practice from the Missouri Department of Insurance to record as the valuation of its investment in a wholly-owned subsidiary that is the attorney-in-fact for a Texas domiciled insurer, the statutory capital and surplus of the Texas domiciled insurer. This permitted practice increases the statutory capital and surplus of both American National Insurance Company and the Missouri domiciled insurance subsidiary by \$64,991,000 and \$59,732,000 at March 31, 2015 and 2014, respectively. Additionally, the statutory capital and surplus of both American National Insurance Company and the Missouri domiciled insurance subsidiary would have remained substantially above the company action level RBC had it not used the permitted practice.

The statutory capital and surplus and net income (loss) of our life and property and casualty insurance entities in accordance with statutory accounting practices are shown below (in thousands):

	March 31, 2015	December 31, 2014
<b>Statutory capital and surplus</b>		
Life insurance entities	\$ 1,946,457	\$ 1,904,128
Property and casualty insurance entities	996,996	984,155
	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Statutory net income</b>		
Life insurance entities	\$ 46,094	\$ 55,054
Property and casualty insurance entities	15,048	23,176

**Dividends**

American National Insurance Company's payment of dividends to stockholders is restricted by statutory regulations. The restrictions require life insurance companies to maintain minimum amounts of capital and surplus, and in the absence of special approval, limit the payment of dividends to the greater of prior year statutory net income from operations on an annual, non-cumulative basis, or 10% of prior year statutory surplus. Under Texas insurance law, American National Insurance Company is permitted to pay total dividends of \$287,915,000 during 2015, without prior

approval of the Texas Department of Insurance. Similar restrictions on amounts that can transfer in the form of dividends, loans, or advances to American National Insurance Company apply to its insurance subsidiaries.

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**Note 14 Stockholders Equity and Noncontrolling Interests (Continued)**

**Noncontrolling interests**

American National County Mutual Insurance Company ( County Mutual ) is a mutual insurance company that is owned by its policyholders. American National has a management agreement that effectively gives it control of County Mutual. As a result, County Mutual is included in the consolidated financial statements of American National. Policyholder interests in the financial position of County Mutual are reflected as noncontrolling interest of \$6,750,000 at March 31, 2015 and December 31, 2014.

American National Insurance Company and its subsidiaries exercise significant control or ownership of various joint ventures, resulting in their consolidation into American National's consolidated financial statements. The interests of the other partners in the consolidated joint ventures are shown as noncontrolling interests of \$4,929,000 and \$5,634,000 at March 31, 2015 and December 31, 2014, respectively.

**Note 15 Segment Information**

Management organizes the business into five operating segments:

Life markets whole, term, universal, indexed and variable life insurance on a national basis primarily through career and multiple-line agents, as well as independent agents and direct marketing channels.

Annuity offers fixed, indexed, and variable annuity products. These products are primarily sold through independent agents, brokers, and financial institutions, along with multiple-line and career agents.

Health primary lines of business are Medicare supplement, stop loss, other supplemental health products and credit disability insurance. Health products are typically distributed through independent agents and managing general underwriters.

Property and Casualty writes personal, agricultural and commercial coverages and credit-related property insurance. These products are primarily sold through multiple-line and independent agents.

Corporate and Other consists of net investment income from investments not allocated to the insurance segments and revenues from non-insurance operations.

The accounting policies of the segments are the same as those described in Note 2 to American National's annual report on Form 10-K. All revenue and expense amounts specifically attributable to policy transactions are recorded directly to the appropriate operating segment. Revenues and expenses not specifically attributable to policy transactions are allocated to each segment as follows:

Recurring income from bonds and mortgage loans is allocated based on the assets allocated to each line of business at the average yield available from these assets.

Net investment income from all other assets is allocated to the insurance segments in accordance with the amount of capital allocated to each segment, with the remainder recorded in the Corporate and Other business segment.

Expenses are allocated based upon various factors, including premium and commission ratios within the respective operating segments.

**Table of Contents****Note 15 Segment Information (Continued)**

The following summarizes results of operations by operating segments (in thousands):

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Income from continuing operations before federal income taxes, and equity in earnings/losses of unconsolidated affiliates		
Life	\$ 8,199	\$ (1,822)
Annuity	17,113	17,705
Health	7,543	(546)
Property and Casualty	10,222	29,512
Corporate and Other	48,282	29,619
<b>Total</b>	<b>\$ 91,359</b>	<b>\$ 74,468</b>

**Note 16 Commitments and Contingencies****Commitments**

American National had aggregate commitments at March 31, 2015, to purchase, expand or improve real estate, to fund fixed interest rate mortgage loans, and to purchase other invested assets of \$612,798,000 of which \$475,647,000 is expected to be funded in 2015 with the remainder funded in 2016 and beyond.

American National has a \$100,000,000 short-term variable rate borrowing facility containing a \$55,000,000 sub-feature for the issuance of letters of credit. Borrowings under the facility are at the discretion of the lender and would be used only for funding working capital requirements. The combination of borrowings and outstanding letters of credit cannot exceed \$100,000,000 at any time. As of March 31, 2015 and December 31, 2014, the outstanding letters of credit were \$12,214,000, and there were no borrowings on this facility to meet liquidity requirements. This facility expires on October 30, 2015. American National expects it will be renewed on substantially equivalent terms upon expiration.

**Guarantees**

American National has guaranteed bank loans for customers of a third-party marketing operation. The bank loans are used to fund premium payments on life insurance policies issued by American National. The loans are secured by the cash values of the life insurance policies. If the customer were to default on the bank loan, American National would be obligated to pay off the loans. As the cash values of the life insurance policies always equal or exceed the balance of the loans, management does not foresee any loss on these guarantees. The total amount of the guarantees outstanding as of March 31, 2015, was approximately \$206,376,000, while the total cash value of the related life insurance policies was approximately \$211,247,000.

## **Litigation**

American National and certain subsidiaries, in common with the insurance industry in general, are defendants in various lawsuits concerning alleged breaches of contracts, various employment matters, allegedly deceptive insurance sales and marketing practices, and miscellaneous other causes of action arising in the ordinary course of operations. Certain of these lawsuits include claims for compensatory and punitive damages. We provide accruals for these items to the extent we deem the losses probable and reasonably estimable. After reviewing these matters with legal counsel, based upon information



**Table of Contents****Note 16 Commitments and Contingencies (Continued)**

presently available, management is of the opinion that the ultimate resultant liability, if any, would not have a material adverse effect on American National's consolidated financial position, liquidity or results of operations; however, assessing the eventual outcome of litigation necessarily involves forward-looking speculation as to judgments to be made by judges, juries and appellate courts in the future.

Such speculation warrants caution, as the frequency of large damage awards, which bear little or no relation to the economic damages incurred by plaintiffs in some jurisdictions, continues to create the potential for an unpredictable judgment in any given lawsuit. These lawsuits are in various stages of development, and future facts and circumstances could result in management's changing its conclusions. It is possible that, if the defenses in these lawsuits are not successful, and the judgments are greater than management can anticipate, the resulting liability could have a material impact on our consolidated financial position, liquidity or results of operations. With respect to the existing litigation, management currently believes that the possibility of a material judgment adverse to American National is remote and no estimate of range can be made for loss contingencies that are at least reasonably possible but not accrued.

**Note 17 Related Party Transactions**

American National has entered into recurring transactions and agreements with certain related parties. These include mortgage loans, management contracts, agency commission contracts, marketing agreements, accident and health insurance contracts and legal services. The impact on the consolidated financial statements of the significant related party transactions is shown below (in thousands):

Related Party	Financial Statement Line Impacted	Amount due to/(from) American Dollar Amount of Transactions Three months ended March 31, December 31, March 31, December 31,			
		2015	2014	2015	2014
Gal-Tex Hotel Corporation	Mortgage loan on real estate	\$ 323	\$ 300	\$ 6,185	\$ 6,508
Gal-Tex Hotel Corporation	Net investment income	116	139	37	39
Greer, Herz & Adams, LLP	Other operating expenses	1,964	2,854	(316)	(309)

*Mortgage Loans to Gal-Tex Hotel Corporation (Gal-Tex):* American National holds a first mortgage loan originated in 1999, with an interest rate of 7.25% and final maturity date of April 1, 2019 issued to Gal-Tex, which is collateralized by a hotel property in San Antonio, Texas. This loan is current as to principal and interest payments.

*Transactions with Greer, Herz & Adams, L.L.P.:* Irwin M. Herz, Jr. is an American National advisory director and a Partner with Greer, Herz & Adams, L.L.P., which serves as American National's General Counsel.

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Set forth on the following pages is management's discussion and analysis (MD&A) of financial condition and results of operations for the three months ended March 31, 2015 and 2014 of American National Insurance Company and its subsidiaries (referred to in this document as we, our, us, or the Company). This information should be read in conjunction with our consolidated financial statements included in Item 1, Financial Statements (unaudited), of this Form 10-Q.

**Forward-Looking Statements**

This document contains forward-looking statements that reflect our estimates and assumptions related to business, economic, competitive and legislative developments. Forward-looking statements generally are indicated by words such as expects, intends, anticipates, plans, believes, estimates, will or words of similar meaning and include limitation, statements regarding the outlook of our business and expected financial performance. Forward-looking statements are not guarantees of future performance and involve various risks and uncertainties. Moreover, forward-looking statements speak only as of the date made, and we undertake no obligation to update them. Certain important factors could cause our actual results to differ, possibly materially, from our expectations or estimates. These factors are described in greater detail in Item 1A, Risk Factors, in our 2014 Annual Report on Form 10-K filed with the SEC on February 27<sup>th</sup>, 2015, and they include among others:

**Economic & Investment Risk Factors**

difficult conditions in the economy, which may not improve in the near future, and risks related to persistently low or unpredictable interest rates;

fluctuations in the markets for fixed maturity securities, equity securities, and commercial real estate, which could adversely affect the valuation of our investment portfolio, our net investment income, our retirement expense, and sales of or fees from certain of our products;

lack of liquidity for certain of our investments;

risk of investment losses and defaults;

**Operational Risk Factors**

differences between actual experience regarding mortality, morbidity, persistency, expense, surrenders and investment returns, and our assumptions for establishing liabilities and reserves or for other purposes;

potential ineffectiveness of our risk management policies and procedures;

changes in our experience related to deferred policy acquisition costs;

failures or limitations of our computer, data security and administration systems;

potential employee error or misconduct, which may result in fraud or adversely affect the execution and administration of our policies and claims;

### **Catastrophic Event Risk Factors**

natural or man-made catastrophes, pandemic disease, or other events resulting in increased claims activity from catastrophic loss of life or property;

the effects of unanticipated events on our disaster recovery and business continuity planning;

### **Marketplace Risk Factors**

the highly competitive nature of the insurance and annuity business;

potential difficulty in attraction and retention of qualified employees and agents;

the introduction of alternative healthcare solutions or changes in federal healthcare policy, both of which could impact our supplement healthcare business;

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### **Litigation and Regulation Risk Factors**

adverse determinations in litigation or regulatory proceedings which may result in significant financial losses and harm our reputation;

significant changes in government regulation;

changes in tax law;

changes in statutory or U.S. generally accepted accounting principles ( GAAP ), practices or policies;

### **Reinsurance and Counterparty Risk Factors**

potential changes in the availability, affordability and adequacy of reinsurance protection;

potential default or failure to perform by the counterparties to our reinsurance arrangements and derivative instruments;

### **Other Risk Factors**

potentially adverse rating agency actions; and

control of our company by a small number of stockholders.

### **Overview**

We are a diversified insurance and financial services company offering a broad spectrum of insurance products. Chartered in 1905, we are headquartered in Galveston, Texas. We operate in all 50 states, the District of Columbia and Puerto Rico.

### **General Trends**

American National had no material changes to the general trends, as discussed in the MD&A included in our 2014 Annual Report on Form 10-K filed with the SEC on February 27, 2015.

### ***Critical Accounting Estimates***

The unaudited interim consolidated financial statements have been prepared in conformity with GAAP. In addition to GAAP, insurance companies apply specific SEC regulations when preparing the consolidated financial statements. The preparation of the consolidated financial statements and notes requires us to make estimates and assumptions that affect the amounts reported. Actual results could differ from results reported using those estimates and assumptions. Our accounting policies inherently require the use of judgments relating to a variety of assumptions and estimates, particularly expectations of current and future mortality, morbidity, persistency, expenses, interest rates, and property and casualty loss frequency, severity, claim reporting and settlement patterns. Due to the inherent uncertainty when using the assumptions and estimates, the effect of certain accounting policies under different conditions or assumptions could vary from those reported in the consolidated financial statements.

For a discussion of our critical accounting estimates, see the MD&A in our 2014 Annual Report on Form 10-K filed with the SEC on February 27, 2015. There have been no material changes in accounting policies since December 31, 2014.

***Recently Issued Accounting Pronouncements***

Refer to Note 3, Recently Issued Accounting Pronouncements, of the Notes to the Unaudited Consolidated Financial Statements in Item 1.

**Table of Contents****Consolidated Results of Operations**

The following sets forth the consolidated results of operations (in thousands):

	<b>Three months ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Premiums and other revenues</b>			
Premiums	\$ 441,843	\$ 464,875	\$ (23,032)
Other policy revenues	57,524	55,927	1,597
Net investment income	209,213	218,823	(9,610)
Realized investments gains (losses), net	39,277	25,471	13,806
Other income	8,710	7,340	1,370
<b>Total premiums and other revenues</b>	<b>756,567</b>	<b>772,436</b>	<b>(15,869)</b>
<b>Benefits, losses and expenses</b>			
Policyholder benefits	142,371	168,732	(26,361)
Claims incurred	224,049	222,441	1,608
Interest credited to policyholders' account balances	75,753	83,412	(7,659)
Commissions for acquiring and servicing policies	93,115	98,435	(5,320)
Other operating expenses	123,458	118,524	4,934
Change in deferred policy acquisition costs <sup>(1)</sup>	6,462	6,424	38
<b>Total benefits and expenses</b>	<b>665,208</b>	<b>697,968</b>	<b>(32,760)</b>
<b>Income before other items and federal income taxes</b>	<b>\$ 91,359</b>	<b>\$ 74,468</b>	<b>\$ 16,891</b>

(1) A negative amount of net change indicates more expense was deferred than amortized and represents a decrease to expenses in the period indicated. A positive net change indicates less expense was deferred than amortized and represents an increase to expenses in the period indicated.

Consolidated earnings increased during the three months ended March 31, 2015 compared to 2014 primarily due to higher realized investment gains from the sale of certain real estate properties.

**Life**

Life segment financial results for the periods indicated were as follows (in thousands):

	<b>Three months ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Premiums and other revenues</b>			
Premiums	\$ 72,082	\$ 71,995	\$ 87
Other policy revenues	54,426	51,609	2,817

Net investment income	57,614	57,358	256
Other income	423	337	86
<b>Total premiums and other revenues</b>	<b>184,545</b>	<b>181,299</b>	<b>3,246</b>
<b>Benefits, losses and expenses</b>			
Policyholder benefits	88,004	91,280	(3,276)
Interest credited to policyholders' account balances	15,788	15,745	43
Commissions for acquiring and servicing policies	27,316	29,463	(2,147)
Other operating expenses	52,652	51,816	836
Change in deferred policy acquisition costs <sup>(1)</sup>	(7,414)	(5,183)	(2,231)
<b>Total benefits and expenses</b>	<b>176,346</b>	<b>183,121</b>	<b>(6,775)</b>
<b>Income before other items and federal income taxes</b>	<b>\$ 8,199</b>	<b>\$ (1,822)</b>	<b>\$ 10,021</b>

(1) A negative amount of net change indicates more expense was deferred than amortized and represents a decrease to expenses in the period indicated. A positive net change indicates less expense was deferred than amortized and represents an increase to expenses in the period indicated.

Earnings increased during the three months ended March 31, 2015 compared to 2014 primarily due to lower policyholder benefits and an increase in other policy revenues.

**Table of Contents*****Premiums and other revenues***

Premiums increased during the three months ended March 31, 2015 compared to 2014 due to the growth of our traditional life insurance business, although premiums on new policies sold decreased slightly.

Other policy revenues include mortality charges, earned policy service fees and surrender charges on interest-sensitive life insurance policies. The increase during the three months ended March 31, 2015 compared to 2014 in other policy revenue is partially attributable to an increase in surrender charges on interest sensitive life policies.

**Life insurance sales**

The following table presents life insurance sales as measured by annualized premium, a non-GAAP measure used by the insurance industry, which allows a comparison of new policies sold by an insurance company during the period (in thousands):

	<b>Three months ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>Change</b>
Whole life	\$ 7,096	\$ 6,728	\$ 368
Term life	7,102	7,521	(419)
Universal life	8,393	8,830	(437)
<b>Total recurring</b>	<b>\$ 22,591</b>	<b>\$ 23,079</b>	<b>\$ (488)</b>
Single and excess	\$ 351	\$ 455	\$ (104)
Credit life	959	903	56

Life insurance sales are based on the total yearly premium that insurance companies would expect to receive if all recurring premium policies would remain in force, plus 10% of single and excess premiums and 15% of credit life premium. Life insurance sales measure activity associated with gaining new insurance business in the current period whereas GAAP premium revenues are associated with policies sold in current and prior periods; therefore, a reconciliation of premium revenues and insurance sales is not meaningful.

Life insurance sales decreased during the first three months of 2015 compared to 2014. Term and Universal Life sales were lower this year partially offset by higher sales of Whole Life products.

***Benefits, losses and expenses***

Policyholder benefits decreased during the three months ended March 31, 2015 compared to 2014 primarily due to more normalized claim activity in 2015 when compared to a higher volume of claims, including claims over \$500,000, in 2014.

Commissions decreased during the three months ended March 31, 2015 compared to 2014, primarily due to the portion of commissions being paid on renewal premiums, which carry a lower commission rate, being larger.

The following table presents the components of the change in DAC (in thousands):



	<b>Three months ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>Change</b>
Acquisition cost capitalized	\$ 25,038	\$ 23,288	\$ 1,750
Amortization of DAC	(17,624)	(18,105)	481
<b>Change in DAC</b>	<b>\$ 7,414</b>	<b>\$ 5,183</b>	<b>\$ 2,231</b>

**Table of Contents*****Policy in-force information***

The following table summarizes changes in the Life segment's in-force amounts (in thousands):

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>Change</b>
<b>Life insurance in-force</b>			
Traditional life	\$ 60,551,271	\$ 59,409,750	\$ 1,141,521
Interest-sensitive life	26,306,063	26,166,314	139,749
<b>Total life insurance in-force</b>	<b>\$ 86,857,334</b>	<b>\$ 85,576,064</b>	<b>\$ 1,281,270</b>

The following table summarizes changes in the Life segment's number of policies in-force:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>Change</b>
<b>Number of policies in-force</b>			
Traditional life	1,931,306	1,949,119	(17,813)
Interest-sensitive life	207,514	205,805	1,709
<b>Total number of policies</b>	<b>2,138,820</b>	<b>2,154,924</b>	<b>(16,104)</b>

Total life insurance in-force increased during the three months ended March 31, 2015 compared to 2014, while the total number of policies decreased for the same period, reflecting the transition to fewer but larger face amount policies.

**Annuity**

Annuity segment financial results for the periods indicated were as follows (in thousands):

	<b>Three months ended March 31,</b>		<b>Change</b>
	<b>2015</b>	<b>2014</b>	
<b>Premiums and other revenues</b>			
Premiums	\$ 41,443	\$ 66,936	\$ (25,493)
Other policy revenues	3,098	4,318	(1,220)
Net investment income	119,662	130,314	(10,652)
Other income	870		870
<b>Total premiums and other revenues</b>	<b>165,073</b>	<b>201,568</b>	<b>(36,495)</b>
<b>Benefits, losses and expenses</b>			
Policyholder benefits	54,367	77,452	(23,085)

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Interest credited to policyholders' account balances	59,965	67,667	(7,702)
Commissions for acquiring and servicing policies	9,105	13,564	(4,459)
Other operating expenses	13,049	17,784	(4,735)
Change in deferred policy acquisition costs <sup>(1)</sup>	11,474	7,396	4,078
<b>Total benefits and expenses</b>	<b>147,960</b>	<b>183,863</b>	<b>(35,903)</b>
<b>Income before other items and federal income taxes</b>	<b>\$ 17,113</b>	<b>\$ 17,705</b>	<b>\$ (592)</b>

(1) A negative amount of net change indicates more expense was deferred than amortized and represents a decrease to expenses in the period indicated. A positive net change indicates less expense was deferred than amortized and represents an increase to expenses in the period indicated.

Earnings for the first quarter decreased slightly as lower premiums reflected the challenges of the continued low interest rate environment. This was largely offset by items that fluctuate with changes in premium, such as policyholder benefits, commissions and allocated expenses. Net investment income declined due to maturing bonds and mortgage loans being replaced by new investments purchased with lower interest yields and lower account values.

**Table of Contents*****Premiums and other revenues***

Annuity premium and deposit amounts received are shown below (in thousands):

	<b>Three months ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>Change</b>
Fixed deferred annuity	\$ 47,559	\$ 95,457	\$ (47,898)
Equity-indexed deferred annuity	52,147	50,585	1,562
Single premium immediate annuity	49,610	86,008	(36,398)
Variable deferred annuity	26,463	34,540	(8,077)
<b>Total premium and deposits</b>	<b>175,779</b>	<b>266,590</b>	<b>(90,811)</b>
Less: Policy deposits	134,336	199,654	(65,318)
<b>Total earned premiums</b>	<b>\$ 41,443</b>	<b>\$ 66,936</b>	<b>\$ (25,493)</b>

We monitor account values and changes in those values as a key indicator of performance in our Annuity segment.

Shown below are the changes in account values (in thousands):

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Fixed deferred and equity-indexed annuity</b>		
Account value, beginning of period	\$ 8,873,397	\$ 9,355,946
Net inflows	84,013	104,238
Surrenders	(333,931)	(343,084)
Fees	(1,573)	(2,856)
Interest credited	58,328	67,460
<b>Account value, end of period</b>	<b>\$ 8,680,234</b>	<b>\$ 9,181,704</b>
<b>Single premium immediate annuity</b>		
Reserve, beginning of period	\$ 1,274,664	\$ 1,144,616
Net inflows	12,880	43,404
Interest and mortality	14,377	7,491
<b>Reserve, end of period</b>	<b>\$ 1,301,921</b>	<b>\$ 1,195,511</b>
<b>Variable deferred annuity</b>		
Account value, beginning of period	\$ 494,516	\$ 489,305
Net inflows	25,551	34,253
Surrenders	(52,014)	(40,321)
Fees	(1,429)	(1,411)
Change in market value and other	30,663	6,665

<b>Account value, end of period</b>	<b>\$ 497,287</b>	<b>\$ 488,491</b>
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Deferred and single premium immediate annuity sales decreased during the three months ended March 31, 2015 compared to 2014 due to the benchmark 10 year treasury yield being 50-100 basis points lower in 2015 and accordingly, less attractive interest crediting rates.

Variable deferred annuity net inflows decreased during the three months ended March 31, 2015 compared to 2014. These products have no guaranteed minimum withdrawal benefits. Our total direct exposure on the guaranteed minimum death benefits associated with these products was \$0.9 million and \$1.4 million as of March 31, 2015 and 2014, respectively. Reinsurance, from reinsurers rated A or higher by A.M. Best, reduced the net exposure to \$0.2 million and \$0.3 million, as of March 31, 2015 and 2014, respectively.

**Table of Contents*****Benefits, losses and expenses***

Policyholder benefits consist of annuity payments and reserve increases for SPIA contracts. Reserve increases are highly correlated to the sales volume of SPIA contracts. Sales and benefits decreased for the three months ended March 31, 2015 compared to 2014, driven primarily by the continued low interest rate environment.

Commissions decreased during the three months ended March 31, 2015 compared to 2014 as a result of decreased annuity sales.

Other operating expenses decreased during the three months ended March 31, 2015 compared to 2014 due to lower legal fees in 2015.

The change in DAC represents acquisition costs capitalized less the amortization of existing DAC, which is calculated in proportion to expected gross profits. The following shows the components of the change in DAC (in thousands):

	<b>Three months ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>Change</b>
Acquisition cost capitalized	\$ 8,955	\$ 12,521	\$ (3,566)
Amortization of DAC	(20,429)	(19,917)	(512)
<b>Change in DAC</b>	<b>\$ (11,474)</b>	<b>\$ (7,396)</b>	<b>\$ (4,078)</b>

The amortization of DAC as a percentage of gross profits is an important ratio for the Annuity segment. Changes in this ratio reflect the impact of emerging experience. For example, if experienced surrenders in the year are higher than what was projected in last year's DAC calculation, then DAC amortization will tend to increase relative to gross margins. The ratios for the three months ended March 31, 2015 and 2014 were 39.7% and 38.0%, respectively.

***Options and Derivatives***

The following table reflects the incremental impact of option return to net investment income, and the impact of the equity-indexed annuity embedded derivatives to interest credited to policyholder's account balances (in thousands):

	<b>Three months ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Net investment income</b>			
Without option return	\$ 118,837	\$ 126,727	\$ (7,890)
Option return	825	3,587	(2,762)
<b>Interest credited to policy account balances</b>			
Without embedded derivatives	58,958	65,184	(6,226)
Equity-indexed annuity embedded derivatives	1,007	2,483	(1,476)

Net investment income without option return decreased during the three months ended March 31, 2015 compared to 2014, primarily due to a lower net investment portfolio yield and aggregate account values.

The option return, as well as the related equity-indexed annuity embedded derivatives, decreased during the three months ended March 31, 2015 compared to 2014, due to the relative change in the S&P 500 Index during the respective periods. These option returns correlate to the 0.4% and 1.3% change in the S&P 500 Index during the three months ended March 31, 2015 and 2014, respectively.

**Table of Contents****Health**

Health segment results for the periods indicated were as follows (in thousands):

	Three months ended March 31,		
	2015	2014	Change
<b>Premiums and other revenues</b>			
Premiums	\$ 51,837	\$ 55,336	\$ (3,499)
Net investment income	2,653	2,938	(285)
Other income	4,569	4,613	(44)
<b>Total premiums and other revenues</b>	<b>59,059</b>	<b>62,887</b>	<b>(3,828)</b>
<b>Benefits, losses and expenses</b>			
Claims incurred	31,797	43,929	(12,132)
Commissions for acquiring and servicing policies	7,191	8,073	(882)
Other operating expenses	11,403	11,200	203
Change in deferred policy acquisition costs <sup>(1)</sup>	1,125	231	894
<b>Total benefits and expenses</b>	<b>51,516</b>	<b>63,433</b>	<b>(11,917)</b>
<b>Income before other items and federal income taxes</b>	<b>\$ 7,543</b>	<b>\$ (546)</b>	<b>\$ 8,089</b>

(1) A negative amount of net change indicates more expense was deferred than amortized and represents a decrease to expenses in the period indicated.

A positive net change indicates less expense was deferred than amortized and represents an increase to expenses in the period indicated.

Earnings increased during the three months ended March 31, 2015 compared to 2014, due to a decrease in claims incurred, partially offset by a decrease in premiums earned. Claims incurred decreased in 2015 as the volume and average claim size both decreased. The quarter ended March 31, 2014 included a \$4.0 million charge relating to now settled reinsurance litigation.

**Premiums and other revenues**

Health earned premiums for the periods indicated were as follows (in thousands, except percentages):

	Three months ended March 31,			
	2015		2014	
Medicare Supplement	\$ 19,863	38.3%	\$ 21,993	39.7%
Medical expense	4,572	8.8	6,221	11.2



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Group health	9,370	18.1	10,239	18.5
Credit accident and health	3,270	6.3	3,737	6.8
MGU	5,301	10.2	5,250	9.5
Supplemental Insurance	7,880	15.2	6,159	11.2
All other	1,581	3.1	1,737	3.1
<b>Total</b>	<b>\$ 51,837</b>	<b>100.0%</b>	<b>\$ 55,336</b>	<b>100.0%</b>

Earned premiums decreased during the three months ended March 31, 2015 compared to 2014 primarily due to the continued contraction of the closed medical expense blocks of business and fewer Medicare Supplement contract sales which is partially attributable to continued changes in the healthcare insurance marketplace.

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The number of in-force certificates and policies as of the dates indicated are as follows:

	Three months ended March 31,			
	2015		2014	
Medicare Supplement	36,878	6.1%	39,017	6.0%
Medical expense	3,027	0.5	4,046	0.6
Group	16,856	2.8	16,340	2.5
Credit accident and health	216,684	35.7	229,686	35.4
MGU	226,361	37.3	249,607	38.5
Supplemental Insurance	67,124	11.1	65,911	10.2
All other	40,346	6.5	44,348	6.8
<b>Total</b>	<b>607,276</b>	<b>100.0%</b>	<b>648,955</b>	<b>100.0%</b>

Total in-force policies decreased during the three months ended March 31, 2015 compared to 2014, primarily due to a decrease in the MGU line and credit accident and health business. Credit accident and health decreased due to contraction in that market as distributors continued to shift their marketing emphasis to property and casualty products.

***Benefits, losses and expenses***

Claims incurred decreased as the volume of claims and the average claims size declined. The quarter ended March 31, 2014 included a \$4.0 million charge relating to now settled reinsurance litigation.

***Change in Deferred Policy Acquisition Costs***

The following table presents the components of the change in DAC (in thousands):

	Three months ended March 31,		
	2015	2014	Change
Acquisition cost capitalized	\$ 3,954	\$ 4,288	\$ (334)
Amortization of DAC	(5,079)	(4,519)	(560)
<b>Change in DAC</b>	<b>\$ (1,125)</b>	<b>\$ (231)</b>	<b>\$ (894)</b>

**Table of Contents****Property and Casualty**

Property and Casualty results for the periods indicated were as follows (in thousands, except percentages):

	<b>Three months ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Premiums and other revenues</b>			
Net premiums written	\$ 286,944	\$ 276,988	\$ 9,956
Net premiums earned	\$ 276,481	\$ 270,608	\$ 5,873
Net investment income	14,406	15,183	(777)
Other income	1,140	1,254	(114)
<b>Total premiums and other revenues</b>	<b>292,027</b>	<b>287,045</b>	<b>4,982</b>
<b>Benefits, losses and expenses</b>			
Claims incurred	192,252	178,512	13,740
Commissions for acquiring and servicing policies	49,503	47,333	2,170
Other operating expenses	38,773	27,708	11,065
Change in deferred policy acquisition costs <sup>(1)</sup>	1,277	3,980	(2,703)
<b>Total benefits and expenses</b>	<b>281,805</b>	<b>257,533</b>	<b>24,272</b>
<b>Income before other items and federal income taxes</b>			
	<b>\$ 10,222</b>	<b>\$ 29,512</b>	<b>\$ (19,290)</b>
Loss ratio	69.5%	66.0%	3.5
Underwriting expense ratio	32.4	29.4	3.0
Combined ratio	<b>101.9%</b>	<b>95.4%</b>	<b>6.5</b>
Impact of catastrophe events on combined ratio	4.5	5.1	(0.6)
Combined ratio without impact of catastrophe events	<b>97.4%</b>	<b>90.3%</b>	<b>(7.1)</b>
Gross catastrophe losses	\$ 12,630	\$ 13,060	\$ (430)
Net catastrophe losses	12,485	13,639	(1,154)

(1) A negative amount of net change indicates more expense was deferred than amortized and represents a decrease to expenses in the period indicated.

A positive net change indicates less expense was deferred than amortized and represents an increase to expenses in the period indicated.

Property and Casualty results decreased during the three months ended March 31, 2015 compared to 2014 due to increased claims and other operating expenses.

### **Premiums and other revenues**

Net premiums written and earned increased during the three months ended March 31, 2015 compared to 2014 due to continued changes to improve rate adequacy in our homeowners and commercial lines.

### ***Benefits, losses and expenses***

Claims incurred increased during the three months ended March 31, 2015 compared to 2014, as a result of increases in non-catastrophe losses.

Operating expenses increased during the three months ended March 31, 2015 compared to 2014 as a result of costs related to growth initiatives and technology enhancements.

### ***Products***

Our Property and Casualty segment consists of: (i) Personal products, marketed primarily to individuals, representing 56.4% of net premiums written (ii) Commercial products, which focus primarily on agricultural and other markets, representing 35.2% of net premiums written and (iii) Credit-related property insurance products, which are marketed to and through financial institutions and retailers, representing 8.4% of net premiums written.

**Table of Contents*****Personal Products***

Personal Products results for the periods indicated were as follows (in thousands, except percentages):

	<b>Three months ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Net premiums written</b>			
Auto	\$ 103,675	\$ 102,110	\$ 1,565
Homeowner	47,722	48,499	(777)
Other Personal	10,525	9,584	941
<b>Total net premiums written</b>	<b>\$ 161,922</b>	<b>\$ 160,193</b>	<b>\$ 1,729</b>
<b>Net premiums earned</b>			
Auto	\$ 98,993	\$ 98,857	\$ 136
Homeowner	54,692	54,340	352
Other Personal	9,886	8,792	1,094
<b>Total net premiums earned</b>	<b>\$ 163,571</b>	<b>\$ 161,989</b>	<b>\$ 1,582</b>
<b>Loss ratio</b>			
Auto	76.6%	69.8%	6.8
Homeowner	62.2	68.5	(6.3)
Other Personal	75.0	40.0	35.0
<b>Personal line loss ratio</b>	<b>71.7%</b>	<b>67.8%</b>	<b>3.9</b>
<b>Combined Ratio</b>			
Auto	101.9%	89.5%	12.4
Homeowner	89.7	89.5	0.2
Other Personal	101.7	55.3	46.4
<b>Personal line combined ratio</b>	<b>97.8%</b>	<b>87.6%</b>	<b>10.2</b>

*Personal Automobile:* Net premiums written and earned increased in our personal automobile line during the three months ended March 31, 2015 compared to 2014, primarily due to improved rate adequacy. The loss and combined ratio increased during the three months ended March 31, 2015 compared to 2014, primarily due to an increase in non-catastrophe winter weather claim activity compared to the prior year.

*Homeowners:* Net premiums written decreased during the three months ended March 31, 2015 compared to 2014, primarily due to decreased writings in higher risk areas. The loss ratio decreased during the three months ended March 31, 2015 compared to 2014 due to a decline in weather-related losses and a larger share of policies being in areas with less catastrophe risk.

*Other Personal:* These products include watercraft, rental-owner and umbrella coverages for individuals seeking to protect their personal property and liability not covered within their homeowner and auto policies. The loss ratio increased during the three months ended March 31, 2015 compared to 2014, due to increased claim activity on several lines of business with low per policy premium.



**Table of Contents****Commercial Products**

Commercial Products results for the periods indicated were as follows (in thousands, except percentages):

	<b>Three months ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Net premiums written</b>			
Other Commercial	\$ 44,013	\$ 40,504	\$ 3,509
Agribusiness	30,280	29,236	1,044
Auto	26,535	25,173	1,362
<b>Total net premiums written</b>	<b>\$ 100,828</b>	<b>\$ 94,913</b>	<b>\$ 5,915</b>
<b>Net premiums earned</b>			
Other Commercial	\$ 36,378	\$ 33,393	\$ 2,985
Agribusiness	29,240	28,998	242
Auto	21,235	19,048	2,187
<b>Total net premiums earned</b>	<b>\$ 86,853</b>	<b>\$ 81,439</b>	<b>\$ 5,414</b>
<b>Loss ratio</b>			
Other Commercial	67.2%	75.4%	(8.2)
Agribusiness	87.5	78.6	8.9
Auto	73.3	67.5	5.8
<b>Commercial line loss ratio</b>	<b>75.5%</b>	<b>74.7%</b>	<b>0.8</b>
<b>Combined ratio</b>			
Other Commercial	96.2%	109.4%	(13.2)
Agribusiness	126.3	120.5	5.8
Auto	99.1	86.4	12.7
<b>Commercial line combined ratio</b>	<b>107.0%</b>	<b>108.0%</b>	<b>(1.0)</b>

*Other Commercial:* Net premiums written and earned increased during the three months ended March 31, 2015 compared to 2014, primarily due to increased premium per policy in the workers compensation and business owners lines. Decreases in the loss and combined ratios for the three months ended March 31, 2015 compared to 2014 are primarily due to adverse case reserve development on workers compensation claims in 2014 not recurring in the current quarter.

*Agricultural Business:* Our agricultural business product allows policyholders to customize and cover their agriculture exposure using a package policy which includes coverage for residences and household contents, farm buildings and building contents, personal and commercial liability and personal property. Net premiums written and earned increased during the three months ended March 31, 2015 compared to 2014 primarily as a result of improved rate adequacy. The loss and combined ratio increased during the three months ended March 31, 2015 compared to March 31, 2014 primarily due to an increase in claims related to severe winter weather in the Northeast as well as an increase in average severity of fire losses.

*Commercial Automobile:* Net premiums written and earned increased during the three months ended March 31, 2015 compared to 2014, primarily due to improved rate adequacy. The loss and combined ratios increased during the three

months ended March 31, 2015 compared to 2014 primarily due to an increase in overall average severity of losses.



**Table of Contents*****Credit Products***

Credit-related property product results for the periods indicated were as follows (in thousands, except percentages):

	<b>Three months ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>Change</b>
Net premiums written	\$ 24,194	\$ 21,882	\$ 2,312
Net premiums earned	26,057	27,180	(1,123)
Loss ratio	36.0%	29.1%	6.9%
Combined ratio	107.5%	103.5%	4.0%

Credit-related property products are offered on automobiles, furniture and appliances in connection with the financing of those items. These policies pay an amount if the insured property is lost or damaged and the amount paid is not directly related to an event affecting the consumer's ability to pay the debt.

Net written premiums increased during the three months ended March 31, 2015 compared to 2014 primarily due to increases in our Guaranteed Auto Protection (GAP) and Collateral Protection business. Net earned premiums have decreased primarily due to an ongoing shift from our GAP Insurance product to a GAP Waiver product.

The loss and combined ratios increased during the three months ended March 31, 2015 compared to 2014 primarily due to an increase in claims in our collateral protection business.

**Corporate and Other**

Corporate and Other segment financial results for the periods indicated were as follows (in thousands):

	<b>Three months ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Other revenues</b>			
Net investment income	\$ 14,878	\$ 13,030	\$ 1,848
Realized investments gains, net	39,277	25,471	13,806
Other Income	1,708	1,136	572
<b>Total other revenues</b>	<b>55,863</b>	<b>39,637</b>	<b>16,226</b>
<b>Benefits, losses and expenses</b>			
Commissions		2	(2)
Other operating expenses	7,581	10,016	(2,435)
<b>Total benefits, losses and expenses</b>	<b>7,581</b>	<b>10,018</b>	<b>(2,437)</b>
<b>Income before other items and federal income taxes</b>	<b>\$ 48,282</b>	<b>\$ 29,619</b>	<b>\$ 18,663</b>

Earnings increased during the three months ended March 31, 2015 compared to 2014 primarily due to an increase in realized investment gains. The increase in realized gains is attributable to the sale of common stock and the sale of

investment real estate property. Other operating expenses decreased due to changes in the levels of allocations amongst segments.

## **Investments**

We manage our investment portfolio to optimize the rate of return commensurate with sound and prudent asset selection and to maintain a well-diversified portfolio. Our investment operations are regulated primarily by the state insurance departments where we or our insurance subsidiaries are domiciled. Investment activities, including setting investment policies and defining acceptable risk levels, are subject to oversight by our Board of Directors, which is assisted by our Finance Committee and Management Risk Committee.

Our insurance and annuity products are primarily supported by investment-grade bonds, and to a lesser extent collateralized mortgage obligations and commercial mortgage loans. We purchase fixed maturity securities and designate them as either held-to-maturity or available-for-sale considering our estimated future cash flow needs.

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We also monitor the composition of our fixed maturity securities classified as held-to-maturity and available-for-sale and adjust the mix within the portfolio as investments mature or new investments are purchased.

We invest in commercial mortgage loans when the yield and credit risk compare favorably with fixed maturity securities. Individual residential mortgage loans including sub-prime or Alt A mortgage loans have not been and are not expected to be part of our investment portfolio. We invest in real estate and equity securities based on a risk and reward analysis where we believe there are opportunities for enhanced returns.

The following summarizes the carrying values of our invested assets (other than investments in unconsolidated affiliates) by asset class (in thousands, except percentages):

	March 31, 2015		December 31, 2014	
	Amount	Percent	Amount	Percent
Bonds held-to-maturity, at amortized cost	\$ 7,969,007	40.7%	\$ 8,225,050	42.0%
Bonds available-for-sale, at fair value	5,070,780	25.9	4,921,807	25.2
Equity securities, at fair value	1,521,619	7.8	1,516,978	7.8
Mortgage loans on real estate, net of allowance	3,344,260	17.1	3,359,586	17.2
Policy loans	406,394	2.1	405,979	2.1
Investment real estate, net of accumulated depreciation	501,992	2.6	479,062	2.4
Short-term investments	520,333	2.7	431,000	2.2
Other invested assets	216,981	1.1	220,255	1.1
<b>Total investments</b>	<b>\$ 19,551,366</b>	<b>100.0%</b>	<b>\$ 19,559,717</b>	<b>100.0%</b>

The decrease in our total investments at March 31, 2015 as compared to December 31, 2014 was primarily a result of lower policyholders' account balances.

**Bonds** We allocate most of our fixed maturity securities to support our insurance business. At March 31, 2015, our fixed maturity securities had an estimated fair value of \$13.6 billion, which was \$0.8 billion, or 6.2%, above amortized cost. At December 31, 2014, our fixed maturity securities had an estimated fair value of \$13.6 billion, which was \$0.7 billion, or 5.1%, above amortized cost. Fixed maturity securities' estimated fair value, due in one year or less, decreased to \$1.1 billion as of March 31, 2015 from \$1.3 billion as of December 31, 2014, primarily as a result of maturities.

The following table identifies the total bonds by credit quality rating, using both Standard & Poor's and Moody's ratings (in thousands, except percentages):

	March 31, 2015			December 31, 2014		
	Amortized Cost	Estimated Fair Value	% of Fair Value	Amortized Cost	Estimated Fair Value	% of Fair Value
AAA	\$ 652,979	\$ 696,276	5.1	\$ 637,613	\$ 676,728	5.0
AA	1,563,576	1,661,751	12.3	1,647,110	1,733,484	12.8
A	5,064,309	5,411,127	39.9	5,060,934	5,348,438	39.4
BBB	4,998,603	5,296,804	39.1	5,121,394	5,363,342	39.5

BB and below	486,136	487,184	3.6	452,715	452,728	3.3
<b>Total</b>	<b>\$ 12,765,603</b>	<b>\$ 13,553,142</b>	<b>100.0</b>	<b>\$ 12,919,766</b>	<b>\$ 13,574,720</b>	<b>100.0</b>

***Mortgage Loans*** We invest in commercial mortgage loans that are diversified by property-type and geography to support our insurance business. Generally, mortgage loans are secured by first liens on income-producing real estate with a loan-to-value ratio of up to 75%. Mortgage loans are carried at outstanding principal balances, adjusted for any unamortized premium or discount, deferred fees or expenses, and net of allowances. The weighted average coupon yield on the principal funded for mortgage loans was 4.3% and 4.9% at March 31, 2015 and December 31, 2014, respectively. It is likely that the weighted average yield on funded mortgage loans will decline as loans mature and new loans are originated with lower rates in the current interest rate environment.

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**Equity Securities** Our equity portfolio is in companies publicly traded on national U.S. stock exchanges; the cost and estimated fair value of the equity securities are as follows (in thousands):

	Cost	Unrealized Gains	Unrealized Losses	Fair Value	% of Fair Value
<b>March 31, 2015</b>					
Common stock	\$ 736,727	\$ 766,362	\$ (13,233)	\$ 1,489,856	97.9
Preferred stock	19,733	12,031	(1)	31,763	2.1
<b>Total</b>	<b>\$ 756,460</b>	<b>\$ 778,393</b>	<b>\$ (13,234)</b>	<b>\$ 1,521,619</b>	<b>100.0</b>
<b>December 31, 2014</b>					
Common stock	\$ 719,651	\$ 774,650	\$ (7,176)	\$ 1,487,125	98.0
Preferred stock	19,733	10,121	(1)	29,853	2.0
<b>Total</b>	<b>\$ 739,384</b>	<b>\$ 784,771</b>	<b>\$ (7,177)</b>	<b>\$ 1,516,978</b>	<b>100.0</b>

**Investment Real Estate** We invest in commercial real estate where positive cash flows and/or appreciation in value is expected. Real estate may be owned directly by our insurance companies or non-insurance affiliates or indirectly in joint ventures with real estate developers or investors we determine share our perspective regarding risk and return relationships. The carrying value of real estate is stated at cost, less accumulated depreciation and valuation allowances, if any. Depreciation is provided over the estimated useful lives of the properties.

**Short-Term Investments** Short-term investments are primarily commercial paper rated A2/P2 or better by Standard & Poor's and Moody's, respectively. The amount fluctuates depending on the available long-term investment opportunities and our liquidity needs, including mortgage investment-funding commitments.

**Policy Loans** For certain life insurance products, policyholders may borrow funds using the policy's cash value as collateral. The maximum amount of the policy loan depends upon the policy's surrender value. As of March 31, 2015, we had \$406.4 million in policy loans with a loan to surrender value of 57.7%, and at March 31, 2014, we had \$406.0 million in policy loans with a loan to surrender value of 57.6%. Interest rates on policy loans primarily range from 3.0% to 12.0% per annum. Policy loans may be repaid at any time by the policyholder and have priority to any claims on the policy. If the policyholder fails to repay the policy loan, funds are withdrawn from the policy's benefits.

**Net Investment Income and Net Realized Gains (Losses)**

Net investment income decreased \$9.6 million during the three months ended March 31, 2015, primarily from decreased interest rates on bonds and mortgage loans of \$9.7 million and decreased option income of \$2.9 million due to smaller gains on the S&P index, partially offset by improvement in real estate income.

Interest income on mortgage loans is accrued on the principal amount of the loan at the contractual interest rate. Accretion of discounts is recorded using the effective yield method. Interest income, accretion of discounts and prepayment fees are reported in net investment income. Interest is not accrued on loans generally more than 90 days past due or when the collection of interest is not considered probable. Loans in foreclosure are placed on non-accrual status. Interest received on non-accrual status mortgage loans is included in net investment income in the period received.

Net realized gains increased \$12.9 million during the three months ended March 31, 2015 compared to 2014. Other-than-temporary impairment on investment securities decreased \$1.0 million during the three months ended March 31, 2015 compared to 2014.

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### ***Net Unrealized Gains and Losses***

The net unrealized gains on available-for-sale securities at March 31, 2015 and December 31, 2014 were \$1.04 billion and \$1.01 billion, respectively. Unrealized gains or losses on available-for-sale securities are recognized as other comprehensive income or loss which has no impact on earnings. The gross unrealized gains of available-for-sale securities increased \$32.4 million to \$1.06 billion during the three months ended March 31, 2015, resulting from increases in the value of bonds and equity securities. The gross unrealized losses of available-for-sale securities changed favorably by \$2.2 million, going from \$24.9 million at December 31, 2014 to \$22.8 million at March 31, 2015. The gross unrealized gains of held-to-maturity securities increased \$65.6 million to \$542.5 million and gross unrealized losses decreased from \$48.9 million at December 31, 2014 to \$29.1 million in March 31, 2015.

The fair value of our investment securities is affected by various factors, including volatility of financial markets, changes in interest rates and fluctuations in credit spread. We have the ability and intent to hold those securities in unrealized loss positions until a market price recovery or maturity. Further, it is unlikely that we will be required to sell them prior to recovery, and recovery is expected in a reasonable period of time.

### **Liquidity**

Our liquidity requirements have been and are expected to continue to be met by funds from operations, comprised of premiums received from our customers and investment income. The primary use of cash has been and is expected to continue to be payment of policyholder benefits and claims incurred. Current and expected patterns of claim frequency and severity may change from period to period but continue to be within historical norms. Management considers our current liquidity position to be sufficient to meet anticipated demands over the next twelve months. Our contractual obligations are not expected to have a significant negative impact to cash flow from operations.

Changes in interest rates during 2015 and market expectations for potentially higher rates through 2016 will likely lead to increases in the volume of annuity contracts, which may be partially offset by increases in surrenders. Freezing our defined benefit pension plans will lessen the impact of changes in interest rates on our contributions to these plans and future contributions to our defined benefit plans may be smaller than historical contributions. A portion of the contributions will be used for the employer matching contributions to defined contribution retirement plans, which will provide employees with the potential to accumulate assets for retirement. No unusually large capital expenditures are expected in the next 12-24 months and we have paid dividends to stockholders for over 100 consecutive years and expect to continue this trend. There are no other known trends or uncertainties regarding product pricing, changes in product lines or rising costs, which would have a significant impact to cash flows from operations.

To ensure we will be able to continue to pay future commitments, the funds received as premium payments and deposits are invested in bonds and commercial mortgages. Funds are invested with the intent that income from the investments and proceeds from the maturities will meet our ongoing cash flow needs. We historically have not had to liquidate invested assets in order to cover cash flow needs. We believe our portfolio of highly liquid available-for-sale investment securities including equity securities is sufficient to meet future liquidity needs as necessary.

Our cash and cash equivalents and short-term investment position was \$690.4 million at March 31, 2015 compared to \$640.5 million at December 31, 2014, respectively. The increase relates to an increase in short-term investments partially offset by a decrease in cash and cash equivalents as we look to minimize purchases of long term bonds beyond those needed to manage our longer term life and annuity related policyholder liabilities.

A downgrade or a potential downgrade in our financial strength ratings could result in a loss of business and could adversely affect our cash flow from operations.





**Table of Contents****Capital Resources**

Our capital resources are summarized below (in thousands):

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
American National stockholders equity, excluding accumulated other comprehensive income, net of tax ( AOCI )	\$ 4,021,652	\$ 3,936,781
AOCI	498,223	490,782
<b>Total American National stockholders equity</b>	<b>\$ 4,519,875</b>	<b>\$ 4,427,563</b>

We have notes payable relating to borrowings by real estate joint ventures that we consolidate into our financial statements that are not part of our capital resources. The lenders for the notes payable have no recourse against us in the event of default by the joint ventures. Therefore, the liability we have for these notes payable is limited to our investment in the respective ventures, which totaled \$14.0 million at March 31, 2015 and \$15.0 million at December 31, 2014, respectively.

The changes in our capital resources are summarized below (in thousands):

	<b>Three months ended March 31, 2015</b>
Net income attributable to American National	\$ 102,982
Increase in net unrealized gains	7,836
Defined benefit pension plan adjustment	1,443
Dividends to shareholders	(20,711)
Other	762
<b>Total</b>	<b>\$ 92,312</b>

During the three months ended March 31, 2015, the change in our capital resources increased compared to March 31, 2014 primarily due to increased earnings in 2015 partially offset by a smaller increase in unrealized gains in 2015.

***Statutory Capital and Surplus and Risk-based Capital***

Statutory capital and surplus is the capital of our insurance companies reported in accordance with accounting practices prescribed or permitted by the applicable state insurance departments. RBC is calculated using formulas applied to certain financial balances and activities that consider, among other things, risks related to the type and quality of the invested assets, insurance risks associated with an insurer's products and liabilities, interest rate risks and general business risks. Insurance companies that do not maintain capital and surplus at a level of at least 200% of the authorized control level RBC are required to take certain actions. At March 31, 2015 and December 31, 2014, American National Insurance Company's statutory capital and surplus was \$2,934,396,000 and \$2,879,154,000, respectively. American National Insurance Company and each of its insurance subsidiaries had statutory capital and

surplus at March 31, 2015 and December 31, 2014, substantially above their authorized control level RBC.

The achievement of long-term growth will require growth in American National Insurance Company's and our insurance subsidiaries' statutory capital and surplus. Our subsidiaries may obtain additional statutory capital through various sources, such as retained statutory earnings or equity contributions from us.

### **Contractual Obligations**

Our future cash payments associated with claims and claims adjustment expenses, life, annuity and disability obligations, contractual obligations pursuant to operating leases for office space and equipment, and notes payable have not materially changed since December 31, 2014. We expect to have the capacity to pay our obligations as they come due.

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### **Off-Balance Sheet Arrangements**

We have off-balance sheet arrangements relating to third-party marketing operation bank loans as discussed in Note 19, Commitments and Contingencies, of the Notes to the Consolidated Financial Statements. We could be exposed to a liability for these loans, which are supported by the cash value of the underlying insurance contracts. The cash value of the life insurance policies is designed to always equal or exceed the balance of the loans. Accordingly, management does not foresee any loss related to these arrangements.

### **Related-Party Transactions**

We have various agency, consulting and service arrangements with individuals and entities considered to be related parties. Each of these arrangements has been reviewed and approved by our Audit Committee, which retains final decision-making authority for these transactions. The amounts involved, both individually and in the aggregate, with these arrangements are not material to any segment or to our overall operations. For additional details see Note 17, Related Party Transactions, of the Notes to the Consolidated Financial Statements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our market risks have not changed materially from those disclosed in our 2014 Annual Report on Form 10-K filed with the SEC on February 27, 2015.

### **ITEM 4. CONTROLS AND PROCEDURES**

The Company maintains disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) that are designed to ensure that information required to be disclosed in the Company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Corporate Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. The Company's management, with the participation of the Company's Chief Executive Officer and Corporate Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2015. Based upon that evaluation and subject to the foregoing, the Company's Chief Executive Officer and Corporate Chief Financial Officer concluded that, as of March 31, 2015, the design and operation of the Company's disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Management has monitored the internal controls over financial reporting, including any material changes to the internal control over financial reporting. There were no changes in the Company's internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



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**PART II OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

Information required for Item 1 is incorporated by reference to the discussion under the heading "Litigation" in Note 16, Commitments and Contingencies, of the Notes to the Unaudited Consolidated Financial Statements.

**ITEM 1A. RISK FACTORS**

There have been no material changes with respect to the risk factors as previously disclosed in our 2014 Annual Report on Form 10-K filed with the SEC on February 27, 2015.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

**ITEM 5. OTHER INFORMATION**

None.

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**ITEM 6. EXHIBITS**

Exhibit Number	Basic Documents
3.1	Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit No. 3.1 to the registrant's Registration Statement on Form 10-12B filed April 10, 2009).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit No. 3.2 to the registrant's Current Report on Form 8-K filed April 27, 2015).
10.15*	Amendments One and Two to the American National Family of Companies Executive Supplemental Savings plan
10.16*	Form of Restricted Stock Unit Agreement for Executive Officers under the American National Insurance Company Amended and Restated 1999 Stock and Incentive Plan (grants on or after March 1, 2015)
10.17*	Form of Restricted Stock Unit Agreement for Directors under the American National Insurance Company Amended and Restated 1999 Stock and Incentive Plan (grants on or after March 1, 2015)
31.1	Certification of the principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of the principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of the principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101	The following unaudited financial information from American National Insurance Company's Quarterly Report on Form 10-Q for three months ended March 31, 2015 formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Statements of Financial Position, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to the Unaudited Consolidated Financial Statements.

\* Management contract or compensatory plan or arrangement.

**SIGNATURES**

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

By: /s/ James E. Pozzi  
 Name: James E. Pozzi  
 Title: *President and  
 Chief Executive Officer*

By: /s/ John J. Dunn, Jr.  
Name: John J. Dunn, Jr.,  
Title: *Executive Vice  
President,  
Corporate Chief  
Financial*

*Officer*

Date: May 08, 2015