AMERICAN NATIONAL INSURANCE CO /TX/
Form 10-Q
November 04, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2011
or

o **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)

Texas	74-0484030
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Moody Plaza
Galveston, Texas 77550-7999
(Address of principal executive offices) (Zip Code)
(409) 763-4661
(Registrant s telephone number, including area code)

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. þ Yes o 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). þ Yes o 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 o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o

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

As of October 31, 2011, there were 26,821,284 shares of the registrant s voting common stock, $1.00 par value per share, outstanding.

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PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
AMERICAN NATIONAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands, except for per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2011	**2010**	**2011**	**2010**
PREMIUMS AND OTHER REVENUES				
Premiums				
Life	$ 71,926	$ 71,352	$ 207,786	$ 209,670
Annuity	21,704	51,180	73,304	132,140
Accident and health	57,708	64,288	174,736	200,553
Property and casualty	289,796	297,703	856,958	871,672
Other policy revenues	46,350	46,342	141,860	138,066
Net investment income	225,942	238,081	715,186	667,964
Realized investments gains (losses)	17,531	20,141	62,488	54,702
Other-than-temporary impairments	(4,851)	(1,515)	(4,851)	(4,265)
Other income	7,238	6,144	20,752	19,570
Total premiums and other revenues	733,344	793,716	2,248,219	2,290,072
BENEFITS, LOSSES AND EXPENSES				
Policyholder benefits				
Life	75,472	73,402	232,013	220,408
Annuity	29,960	56,963	102,770	155,100
Claims incurred				
Accident and health	38,691	43,140	119,764	141,330
Property and casualty	215,226	208,917	685,168	702,134
Interest credited to policyholders account balances	82,813	110,847	288,343	284,733
Commissions for acquiring and servicing policies	109,980	120,408	339,603	343,182
Other operating expenses	111,667	114,211	347,133	340,187
Change in deferred policy acquisition costs	(5,558)	(13,806)	(42,534)	(46,815)
Total benefits, losses and expenses	658,251	714,082	2,072,260	2,140,259
Income(loss) from continuing operations before federal income tax, and equity in earnings/losses of unconsolidated affiliates	75,093	79,634	175,959	149,813

Provision (benefit) for federal income taxes				
Current	12,610	29,162	40,127	48,690
Deferred	6,444	2,095	656	(4,110)
Total provision (benefit) for federal income taxes	19,054	31,257	40,783	44,580
Equity in earnings (losses) of unconsolidated affiliates, net of tax	3,077	(144)	2,839	(75)
Income (loss) from continuing operations	59,116	48,233	138,015	105,158
Income (loss) from discontinued operations, net of tax (See Note 17)		(513)		1,488
Net income (loss)	59,116	47,720	138,015	106,646
Less**:** Net income (loss) attributable to noncontrolling interest, net of tax	1,547	664	1,906	(1,810)
Net income (loss) attributable to American National Insurance Company and Subsidiaries	$ 57,569	$ 47,056	$ 136,109	$ 108,456
Amounts available to American National Insurance Company common stockholders				
Earnings per share:				
Basic	$ 2.17	$ 1.77	$ 5.12	$ 4.08
Diluted	2.15	1.76	5.10	4.07
Weighted average common shares outstanding	26,559,950	26,558,832	26,559,865	26,558,832
Weighted average common shares outstanding and dilutive potential common shares	26,718,464	26,678,394	26,706,798	26,678,394

See accompanying notes to the unaudited consolidated financial statements.

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AMERICAN NATIONAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited and in thousands, except for share and per share data)

	September 30, 2011	December 31, 2010
ASSETS		
Fixed maturity, bonds held-to-maturity, at amortized cost (Fair Value $9,949,686 and $8,979,834)	$ 9,322,794	$ 8,513,550
Fixed maturity, bonds available-for-sale, at fair value (Amortized cost $4,060,142 and $3,925,317)	4,309,643	4,123,613
Equity securities, at fair value (Cost $723,418 and $720,665)	945,494	1,082,755
Mortgage loans on real estate, net of allowance	2,793,656	2,679,909
Policy loans	389,844	380,505
Investment real estate, net of accumulated depreciation of $202,095 and $202,111	461,710	521,768
Short-term investments	350,430	486,206
Other invested assets	96,655	119,251
Total investments	18,670,226	17,907,557
Cash and cash equivalents	100,100	101,449
Investments in unconsolidated affiliates	231,867	195,472
Accrued investment income	218,434	201,286
Reinsurance recoverables	411,999	355,188
Prepaid reinsurance premiums	73,228	75,542
Premiums due and other receivables	303,060	287,184
Deferred policy acquisition costs	1,353,340	1,318,426
Property and equipment, net	78,209	77,974
Current tax receivable	1,958	8,579
Other assets	135,362	138,978
Separate account assets	711,135	780,563
Total assets	$ 22,288,918	$ 21,448,198
LIABILITIES		
Future policy benefits:		
Life	$ 2,580,445	$ 2,539,334
Annuity	737,889	865,480
Accident and health	76,102	81,266
Policyholders account balances	11,449,494	10,475,159
Policy and contract claims	1,331,260	1,298,457
Unearned premium reserve	841,654	824,299
Other policyholder funds	270,625	277,285
Liability for retirement benefits	184,030	187,453
Current portion of long-term notes payable		47,632
Long-term notes payable	58,481	12,508
Deferred tax liabilities, net	20,421	53,737
Other liabilities	388,720	368,332

Separate account liabilities	711,135	780,563
Total liabilities	18,650,256	17,811,505
STOCKHOLDERS EQUITY		
Common stock, $1.00 par value, Authorized 50,000,000 Issued 30,832,449, Outstanding 26,821,284 shares	30,832	30,832
Additional paid-in capital	18,526	15,190
Accumulated other comprehensive income	163,032	225,212
Retained earnings	3,534,063	3,459,911
Treasury stock, at cost	(98,490)	(98,494)
Total American National stockholders equity	3,647,963	3,632,651
Noncontrolling interest	(9,301)	4,042
Total stockholders equity	3,638,662	3,636,693
Total liabilities and stockholders equity	$ 22,288,918	$ 21,448,198

See accompanying notes to the unaudited consolidated financial statements.

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AMERICAN NATIONAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited and in thousands, except for per share data)

	Nine months ended September 30,	
	2011	**2010**
Common Stock		
Balance at beginning and end of the period	$ 30,832	$ 30,832
Additional Paid-In Capital		
Balance as of January 1,	15,190	11,986
Issuance of treasury shares as restricted stock	(4)	
Income tax effect from restricted stock arrangement	(14)	
Amortization of restricted stock	3,354	2,360
Balance at end of the period	18,526	14,346
Accumulated Other Comprehensive Income (Loss)		
Balance as of January 1,	225,212	117,649
Change in unrealized gain (loss) on available-for-sale securities, net	(61,595)	99,612
Foreign exchange adjustments	(277)	69
Defined benefit plan adjustment	(308)	133
Balance at end of the period	163,032	217,463
Retained Earnings		
Balance as of January 1,	3,459,911	3,398,492
Net income (loss) attributable to American National Insurance Company and Subsidiaries	136,109	108,456
Cash dividends to common stockholders ($2.31 per share)	(61,957)	(61,955)
Balance at end of the period	3,534,063	3,444,993
Treasury Stock		
Balance as of January 1,	(98,494)	(98,505)
Issuance of treasury shares as restricted stock	4	
Balance at end of the period	(98,490)	(98,505)
Noncontrolling Interest		
Balance as of January 1,	4,042	12,202
Contributions	29	843
Distributions	(15,278)	(944)

Gain (loss) attributable to noncontrolling interest	1,906	(1,810)
Balance at end of the period	(9,301)	10,291
Total Equity		
Balance at end of the period	$ 3,638,662	$ 3,619,420

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited and in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2011	**2010**	**2011**	**2010**
Net income (loss) attributable to American National Insurance Company and Subsidiaries	$ 57,569	$ 47,056	$ 136,109	$ 108,456
Other comprehensive income (loss), net of tax				
Change in unrealized gain (loss) on available-for-sale securities, net	(101,144)	103,635	(61,595)	99,612
Foreign exchange adjustments	(470)	137	(277)	69
Defined benefit plan adjustment	(120)	44	(308)	133
Total other comprehensive income (loss)	(101,734)	103,816	(62,180)	99,814
Total comprehensive income (loss) attributable to American National Insurance Company and Subsidiaries	$ (44,165)	$ 150,872	$ 73,929	$ 208,270

See accompanying notes to the unaudited consolidated financial statements.

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AMERICAN NATIONAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Nine months ended September 30,	
	2011	**2010**
OPERATING ACTIVITIES		
Net income (loss)	$ 138,015	$ 106,646
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Realized investments (gains) losses	(62,488)	(57,223)
Other-than-temporary impairments	4,851	4,265
Amortization of discounts and premiums on bonds	12,755	12,353
Net capitalized interest on policy loans and mortgage loans	(21,412)	(22,737)
Depreciation	30,168	37,601
Interest credited to policy holders account balances	288,343	284,733
Charges to policyholders account balances	(141,860)	(138,066)
Deferred federal income tax (benefit) expense	656	(2,764)
Deferral of policy acquisition costs	(377,158)	(370,695)
Amortization of deferred policy acquisition costs	334,624	323,880
Equity in (earnings) losses of unconsolidated affiliates	(2,839)	75
Changes in:		
Policyholder liabilities	122,824	119,524
Reinsurance recoverables	(56,811)	4,475
Premiums due and other receivables	(15,876)	(21,683)
Accrued investment income	(17,148)	(14,332)
Current tax receivable/payable	6,621	12,589
Liability for retirement benefits	(3,423)	1,050
Prepaid reinsurance premiums	2,314	6,231
Other, net	23,318	6,548
Net cash provided by (used in) operating activities	**265,474**	**292,470**
INVESTING ACTIVITIES		
Proceeds from sale/maturity/prepayment of:		
Bonds held-to-maturity	479,123	314,846
Bonds available-for-sale	330,839	496,073
Equity securities	76,082	96,528
Real estate	91,679	28,802
Mortgage loans	322,949	91,638
Policy loans	39,317	37,734
Other invested assets	29,039	8,613
Disposals of property and equipment	1,358	751
Distributions from unconsolidated affiliates	22,612	3,902
Payment for the purchase/origination of:		
Bonds held-to-maturity	(1,284,363)	(802,600)
Bonds available-for-sale	(466,316)	(395,588)
Equity securities	(53,015)	(99,403)

Real estate	(9,531)	(35,939)
Mortgage loans	(447,627)	(330,497)
Policy loans	(31,727)	(30,114)
Other invested assets	(29,107)	(31,189)
Additions to property and equipment	(13,555)	(7,029)
Contributions to unconsolidated affiliates	(58,560)	(20,882)
Change in short-term investments	135,776	(138,191)
Other, net	19,878	3,136
Net cash provided by (used in) investing activities	**(845,149)**	**(809,409)**
FINANCING ACTIVITIES		
Policyholders account deposits	1,722,051	1,342,376
Policyholders account withdrawals	(1,064,860)	(750,417)
Change in notes payable	(1,659)	(790)
Dividends to stockholders	(61,957)	(61,955)
Proceeds from (payments to) noncontrolling interest	(15,249)	(101)
Net cash provided by (used in) financing activities	**578,326**	**529,113**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,349)	12,174
Beginning of the year	101,449	161,483
Cash attributed to assets held-for-sale (See Note 17)		(8,828)
Balance as of September 30,	**$ 100,100**	**$ 164,829**

See accompanying notes to the unaudited consolidated financial statements.

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

American National Insurance Company and its consolidated subsidiaries (collectively American National) operate in the insurance industry. Operating on a multiple product line basis, American National offers a broad line of insurance coverage, including individual and group life insurance, health insurance, annuities, and property and casualty insurance. In addition, through non-insurance subsidiaries, American National invests in stocks and real estate. The majority of revenues are generated by the insurance business. Business is conducted in all states and the District of Columbia, as well as Puerto Rico, Guam and American Samoa. Various distribution systems are utilized, including multiple-line exclusive agents, independent agents, third-party marketing organizations, career agents, and direct sales to the public.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) and the rules and regulations of the U.S. Securities and Exchange Commission (SEC) for Form 10-Q. In addition to GAAP, specific SEC requirements applicable to insurance companies are applied to the consolidated financial statements.

The interim consolidated financial statements and notes herein are unaudited. These interim consolidated financial statements reflect all adjustments, which are in the opinion of management, considered necessary for the fair presentation of the consolidated statements of operations, financial position, changes in equity, comprehensive income (loss), and cash flows for the interim periods. These 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, 2010. The consolidated results of operations for the interim periods should not be considered indicative of results to be expected for the full year.

American National consolidates all entities that are wholly-owned and those in which American National owns less than 100% but controls, as well as any variable interest entities in which American National is the primary beneficiary. 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 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. The following estimates have been identified as critical in that they involve a high degree of judgment and are subject to a significant degree of variability:

- Other-than-temporary impairment (OTTI);
- Deferred policy acquisition costs;
- Reserves;
- Reinsurance;
- Pension and postretirement benefit plans;
- Litigation contingencies; and
- Federal income taxes.

As of September 30, 2011, American National s significant accounting policies and practices remain materially unchanged from those disclosed in Note 2, Summary of Significant Accounting Policies and Practices, of the Notes to Consolidated Financial Statements included in American National s 2010 Annual Report on Form 10-K.

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3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Standards

In January 2010, the FASB issued ASU No. 2010-06, Improving Disclosures about Fair Value Measurements. ASU 2010-06 was issued to improve and expand fair value disclosures. Newly required disclosures are as follows: 1) provide information about movements of assets among Levels 1 and 2 of the three-tier fair value hierarchy; 2) provide a reconciliation of purchases, sales, issuance, and settlements of anything valued with a Level 3 method; and 3) provide fair value disclosures for each class of assets and liabilities. This guidance is effective for interim and annual periods commencing after December 15, 2009, except for the disclosure of the reconciliation of the Level 3 activities, which is effective for annual periods commencing after December 15, 2010. American National adopted this guidance on January 1, 2010, except for the disclosure of the reconciliation of the Level 3 activities, which was adopted effective January 1, 2011. American National s adoption of this guidance did not have a material impact on its consolidated financial statements.

In April 2010, the FASB issued ASU No. 2010-15, How Investments Held through Separate Accounts Affect an Insurer s Consolidation Analysis of Those Investments. For accounting purposes, ASU 2010-15 clarifies that an insurance entity should not consider any separate account interests held for the benefit of policyholders in an investment to be the insurer s interests and should not combine those interests with its general account interest in the same investment when assessing the investment for consolidation, unless the separate account interests are held for the benefit of a related-party policyholder. This guidance also clarifies that for the purpose of evaluating whether the retention of specialized accounting for investments in consolidation is appropriate, a separate account arrangement should be considered a subsidiary. The amendments do not require an insurer to consolidate an investment in which a separate account holds a controlling financial interest if the investment is not or would not be consolidated in the stand-alone financial statements of the separate account. ASU 2010-15 is effective for interim and annual periods commencing after December 15, 2010. American National s adoption of this guidance did not have a material effect on its consolidated financial statements.

In July 2010, the FASB issued ASU No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. Additional disclosures are now required that enable readers of the financial statements to understand the nature of the credit risk inherent in the financing receivable portfolio, how the portfolio s credit risk is analyzed and assessed in order to arrive at the allowance for credit losses for each portfolio, and the changes and underlying reason for the changes in the allowance for credit losses for each portfolio. Disclosures previously required for financing receivables are now required to be disclosed on a disaggregated basis. In addition, new disclosures under ASU 2010-20 are required for each financing receivable class including credit quality indicators of financing receivables at the end of the reporting period, aging of past due financing receivables, the nature and extent of troubled debt restructurings that occurred during the reporting period, the nature and extent of financing receivables modified as troubled debt restructurings within the previous 12 months that defaulted during the reporting period, and significant purchases and sales of financing receivables during the reporting period. The ASU 2010-20 disclosures required as of the end of a reporting period are effective for interim and annual periods ending on or after December 15, 2010. Disclosures concerning the activity that occurs during a reporting period are effective for interim and annual periods beginning on or after December 15, 2010. American National adopted this guidance effective January 1, 2010, except for the disclosure requirements for activities that occur during a reporting period, which was adopted effective January 1, 2011. American National s adoption of this guidance did not have a material impact on its consolidated financial statements.

In January 2011, the FASB issued ASU No. 2011-01, Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20. This update temporarily delays the effective date of the disclosures about troubled debt restructuring required within ASU 2010-20. The delay was intended to allow the FASB time to complete its deliberations on what constitutes a troubled debt restructuring. ASU 2011-01 is effective upon issuance. Accordingly, this update was retrospectively adopted on December 31, 2010 and did not have a material effect on American National s consolidated financial statements.

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In April 2011, the FASB issued ASU No. 2011-02, A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring. The new guidance clarifies the creditor s evaluation of whether it has granted a concession and whether a borrower is experiencing financial difficulties. In addition, the new guidance precludes the creditor from using the effective interest rate test in the borrower s guidance on restructuring payables when evaluating whether a restructuring constitutes a troubled debt restructuring. ASU 2011-02 is effective for public companies for interim and annual periods beginning on or after June 15, 2011 and must be applied retrospectively to restructurings occurring on or after the beginning of the year. American National s adoption of this guidance did not have a material effect on its consolidated financial statements.

Future Adoption of New Accounting Standards

In October 2010, the FASB issued ASU No. 2010-26, Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts. The new guidance redefines the term acquisition cost and added the term incremental direct cost of contract acquisition to the master glossary. These changes limit the deferrable cost to those costs that are related directly to the successful acquisition of insurance contracts and those that result directly from and are essential to the contract acquisition and costs that would have not been incurred had the contract acquisition not occurred. The new guidance also specifies that advertising costs should be deferred only if the capitalization criteria for direct-response advertising are met. ASU 2010-26 is effective for interim and annual periods, commencing after December 15, 2011. This guidance will be adopted by American National on January 1, 2012. American National is currently assessing the effect of ASU 2010-26 on its consolidated financial statements.

In May 2011, the FASB issued ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in the U.S. GAAP and IFRSs. ASU 2011-04 clarifies the intent of the FASB about the application of existing fair value measurement and disclosure requirements such as: (1) the application of the highest and best use and valuation premise concepts; (2) a requirement specific to measuring the fair value of an instrument classified in a reporting entity s shareholders equity; and (3) a requirement to disclose unobservable inputs used in the fair value of an instrument categorized within Level 3 of the fair value hierarchy. The new guidance also prohibits the use of block premiums and discounts for all fair value measurement, regardless of hierarchy. In addition, ASU 2011-04 expands the disclosures about fair value measurements. ASU 2011-04 is effective for interim and annual periods, beginning after December 15, 2011. American National is currently assessing the effect of ASU 2011-04 on its consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, Presentation of Comprehensive Income. ASU 2011-05 makes the presentation of other comprehensive income (OCI) more prominent by giving reporting entities two presentation options. Reporting entities can present the total net income and total OCI along with their respective components as one continuous statement or as two separate consecutive statements. The new guidance also eliminates the option to present OCI in the statement of changes in stockholders equity. In addition, the new guidance requires reporting entities to present reclassification adjustments from OCI to net income on the face of the financial statements. ASU 2011-05 is effective for interim and annual periods, beginning after December 15, 2011. American National s adoption of this guidance on January 1, 2012 is not expected to have a material effect on its consolidated financial statements.

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In July 2011, the FASB issued ASU No. 2011-06, Fees Paid to the Federal Government by Health Insurers. ASU 2011-06 addresses questions about how health insurers should recognize and classify in their income statements fees mandated by the Patient Protection and Affordable Care Act, which imposes an annual fee on health insurers for each calendar year beginning on or after January 1, 2014. The new guidance specifies that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year. The corresponding deferred cost is then amortized to expense using a straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. ASU 2011-06 is effective for calendar years beginning after December 31, 2013. American National s adoption of this guidance on January 1, 2014 is not expected to have a material effect on its consolidated financial statements.

In September 2011, the FASB issued ASU No. 2011-08, Testing Goodwill for Impairment. ASU 2011-08 allows an assessment of qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying value as a basis to determining whether the two-step goodwill impairment test is necessary. ASU 2011-08 is effective for interim and annual periods beginning after December 15, 2011. American National s adoption of this guidance on January 1, 2012 is not expected to have a material effect on its consolidated financial statements.

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4. INVESTMENTS

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

	September 30, 2011			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed maturity securities				
Bonds held-to-maturity				
U.S. treasury and other U.S. government corporations and agencies	$ 22,277	$ 231	$	$ 22,508
States of the U.S. and political subdivisions of the states	411,656	29,780	(61)	441,375
Foreign governments	29,038	4,698		33,736
Corporate debt securities	8,041,927	575,753	(26,349)	8,591,331
Residential mortgage-backed securities	740,757	58,168	(3,456)	795,469
Commercial mortgage-backed securities	31,340		(14,693)	16,647
Collateralized debt securities	7,142	45	(1,013)	6,174
Other debt securities	38,657	3,789		42,446
Total bonds held-to-maturity	**9,322,794**	**672,464**	**(45,572)**	**9,949,686**
Bonds available-for-sale				
U.S. treasury and other U.S. government corporations and agencies	9,955	1,138	(1)	11,092
States of the U.S. and political subdivisions of the states	578,274	36,531	(123)	614,682
Foreign governments	5,000	2,437		7,437
Corporate debt securities	3,223,097	227,317	(33,215)	3,417,199
Residential mortgage-backed securities	211,733	13,796	(825)	224,704
Collateralized debt securities	17,945	1,644	(228)	19,361
Other debt securities	14,138	1,030		15,168
Total bonds available-for-sale	**4,060,142**	**283,893**	**(34,392)**	**4,309,643**
Total fixed maturity securities	**13,382,936**	**956,357**	**(79,964)**	**14,259,329**
Equity securities				
Common stock	692,460	246,896	(31,468)	907,888
Preferred stock	30,958	8,068	(1,420)	37,606
Total equity securities	**723,418**	**254,964**	**(32,888)**	**945,494**

Total investments in securities	**$ 14,106,354**	**$ 1,211,321**	**$ (112,852)**	**$ 15,204,823**

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	December 31, 2010			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed maturity securities				
Bonds held-to-maturity				
U.S. treasury and other U.S. government corporations and agencies	$ 23,117	$ 288	$	$ 23,405
States of the U.S. and political subdivisions of the states	422,249	7,117	(6,920)	422,446
Foreign governments	29,020	4,910		33,930
Corporate debt securities	7,293,501	478,353	(33,077)	7,738,777
Residential mortgage-backed securities	661,516	33,702	(3,398)	691,820
Commercial mortgage-backed securities	31,340		(17,758)	13,582
Collateralized debt securities	8,562	80	(327)	8,315
Other debt securities	44,245	3,314		47,559
Total bonds held-to-maturity	**8,513,550**	**527,764**	**(61,480)**	**8,979,834**
Bonds available-for-sale				
U.S. treasury and other U.S. government corporations and agencies	13,268	643	(4)	13,907
States of the U.S. and political subdivisions of the states	583,163	15,142	(4,193)	594,112
Foreign governments	5,000	1,967		6,967
Corporate debt securities	3,030,671	197,485	(26,587)	3,201,569
Residential mortgage-backed securities	259,560	13,250	(1,417)	271,393
Collateralized debt securities	19,468	1,459	(218)	20,709
Other debt securities	14,187	769		14,956
Total bonds available-for-sale	**3,925,317**	**230,715**	**(32,419)**	**4,123,613**
Total fixed maturity securities	**12,438,867**	**758,479**	**(93,899)**	**13,103,447**
Equity securities				
Common stock	690,245	361,048	(5,405)	1,045,888
Preferred stock	30,420	6,714	(267)	36,867
Total equity securities	**720,665**	**367,762**	**(5,672)**	**1,082,755**
Total investments in securities	**$ 13,159,532**	**$ 1,126,241**	**$ (99,571)**	**$ 14,186,202**

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Investment securities

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

	September 30, 2011			
	Bonds Held-to-Maturity		Bonds Available-for-Sale	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 815,499	$ 830,484	$ 211,463	$ 216,539
Due after one year through five years	3,557,030	3,795,130	1,861,964	1,968,865
Due after five years through ten years	3,917,217	4,219,597	1,499,334	1,596,808
Due after ten years	1,027,198	1,099,991	482,381	523,691
	9,316,944	9,945,202	4,055,142	4,305,903
Without single maturity date	5,850	4,484	5,000	3,740
Total	**$ 9,322,794**	**$ 9,949,686**	**$ 4,060,142**	**$ 4,309,643**

Available-for-sale securities are sold throughout the year for various reasons. All gains and losses were determined using specific identification of the securities sold. Proceeds from the sales of these securities, with the gross realized gains and losses, are shown below (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Proceeds from sales of available-for-sale securities	$ 23,224	$ 120,348	$ 122,574	$ 325,848
Gross realized gains	11,702	8,610	32,679	31,485
Gross realized losses		(23)	(840)	(1,170)

There were no securities transferred from held-to-maturity to available-for-sale during the nine months ended September 30, 2011 and 2010.

Derivative Instruments

American National purchases derivative contracts (equity-indexed options) that serve as economic hedges against fluctuations in the equity markets to which equity-indexed annuity products are exposed. Equity-indexed annuities include a fixed host annuity contract and an equity-indexed embedded derivative. These derivative instruments are not designated as accounting hedges. The following tables detail the volume, estimated fair value and the gains or losses on derivatives related to equity-indexed annuities (in thousands):

	Location of Asset (Liability)	September 30, 2011			December 31, 2010		
Derivatives Not Designated	Reported in the Consolidated	Number of	Notional	Estimated	Number of	Notional	Estimated

as Hedging Instruments	Statements of Financial Position	Instruments	Amounts	Fair Value	Instruments	Amounts	Fair Value
Equity-indexed options	Other invested assets	322	$ 770,800	$ 49,707	286	$ 668,800	$ 66,716
Equity-indexed annuity embedded derivative	Future policy benefits - Annuity	13,464	651,500	(42,898)	12,663	591,100	(59,644)

	Location of Gains (Losses)	**Gains (Losses) Recognized in Income on Derivatives**			
		Three months ended September 30,		**Nine months ended September 30,**	
Derivatives Not Designated as Hedging Instruments	Recognized in the Consolidated Statements of Operations	**2011**	**2010**	**2011**	**2010**
Equity-indexed options	Net investment income	$ (23,449)	$ 10,231	$ (18,152)	$ (1,658)
Equity-indexed annuity embedded derivative	Interest credited to policyholders account balances	4,299	2,473	7,907	(10,438)

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Unrealized gains (losses) on securities

Unrealized gains (losses) on available-for-sale securities, presented in the stockholders equity section of the consolidated statements of financial position, are net of deferred tax expense of $130,510,000 and $158,200,000 as of September 30, 2011 and 2010, respectively.

The change in the net unrealized gains (losses) on available-for-sale securities are shown below (in thousands):

	Nine months ended September 30, 2011	2010
Bonds available-for-sale	$ 51,205	$ 212,830
Equity securities	(140,014)	29,470
Adjustment to deferred policy acquisition costs	(7,620)	(80,063)
	(96,429)	162,237
Less: Provision (benefit) for federal income taxes	(33,717)	56,760
	(62,712)	105,477
Change in unrealized (gains) losses of investments attributable to participating policyholders interest	1,117	(5,865)
Total	**$ (61,595)**	**$ 99,612**

Gross unrealized losses on investment securities and the estimated fair value of the related 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):

	September 30, 2011					
	Less than 12 months		12 Months or more		Total	
	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value
Fixed maturity securities						
Bonds held-to-maturity						
States of the U.S. and political subdivisions of the states	$ 55	$ 5,307	$ 6	$ 153	$ 61	$ 5,460
Corporate debt securities	22,607	710,530	3,742	52,982	26,349	763,512
Residential mortgage-backed securities	163	12,712	3,293	38,497	3,456	51,209
Commercial mortgage-backed securities			14,693	16,647	14,693	16,647
Collateralized debt securities			1,013	4,511	1,013	4,511
Total bonds held-to-maturity	**22,825**	**728,549**	**22,747**	**112,790**	**45,572**	**841,339**
Bonds available-for-sale						
	1	3,304			1	3,304

U.S. treasury and other U.S. government corporations and agencies						
States of the U.S. and political subdivisions of the states	123	3,617		214	123	3,831
Corporate debt securities	12,730	336,983	20,485	110,058	33,215	447,041
Residential mortgage-backed securities	108	33,105	717	13,656	825	46,761
Collateralized debt securities			228	3,399	228	3,399
Total bonds available-for-sale	**12,962**	**377,009**	**21,430**	**127,327**	**34,392**	**504,336**
Total fixed maturity securities	**35,787**	**1,105,558**	**44,177**	**240,117**	**79,964**	**1,345,675**
Equity securities						
Common stock	31,322	178,166	146	1,171	31,468	179,337
Preferred stock	1,420	11,031			1,420	11,031
Total equity securities	**32,742**	**189,197**	**146**	**1,171**	**32,888**	**190,368**
Total investments in securities	**$ 68,529**	**$ 1,294,755**	**$ 44,323**	**$ 241,288**	**$ 112,852**	**$ 1,536,043**

	December 31, 2010					
	Less than 12 months		12 Months or more		Total	
	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value
Fixed maturity securities						
Bonds held-to-maturity						
States of the U.S. and political subdivisions of the states	$ 6,898	$ 195,634	$ 22	$ 878	$ 6,920	$ 196,512
Corporate debt securities	22,493	912,554	10,584	128,721	33,077	1,041,275
Residential mortgage-backed securities	579	57,160	2,819	64,798	3,398	121,958
Commercial mortgage-backed securities			17,758	13,583	17,758	13,583
Collateralized debt securities			327	5,465	327	5,465
Total bonds held-to-maturity	**29,970**	**1,165,348**	**31,510**	**213,445**	**61,480**	**1,378,793**
Bonds available-for-sale						
U.S. treasury and other U.S. government corporations and agencies	4	7,040			4	7,040
States of the U.S. and political subdivisions of the states	4,193	151,860			4,193	151,860
Corporate debt securities	8,378	249,240	18,209	159,227	26,587	408,467
Residential mortgage-backed securities	81	26,909	1,336	29,393	1,417	56,302
Collateralized debt securities			218	4,664	218	4,664
Total bonds available-for-sale	**12,656**	**435,049**	**19,763**	**193,284**	**32,419**	**628,333**
Total fixed maturity securities	**42,626**	**1,600,397**	**51,273**	**406,729**	**93,899**	**2,007,126**
Equity securities						
Common stock	3,302	57,781	2,103	37,479	5,405	95,260
Preferred stock	231	6,133	36	4,464	267	10,597
Total equity securities	**3,533**	**63,914**	**2,139**	**41,943**	**5,672**	**105,857**
Total investments in securities	**$ 46,159**	**$ 1,664,311**	**$ 53,412**	**$ 448,672**	**$ 99,571**	**$ 2,112,983**

For all investment securities with an unrealized loss, including those in an unrealized loss position for 12 months or more, American National performs a quarterly analysis to determine if an OTTI loss should be recorded. As of September 30, 2011, the securities with unrealized losses were not deemed to be other-than-temporarily impaired. Even though the duration of the unrealized losses on some of the securities exceeds one year, American National has no intent to sell and it is not more-likely-than-not that American National will be required to sell these securities prior to recovery, and recovery is expected in a reasonable period of time.

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Net investment income and realized investments gains (losses)

Net investment income and realized investments gains (losses) before federal income taxes are shown below (in thousands):

	Net Investment Income			
	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Bonds	$ 175,183	$ 164,026	$ 519,582	$ 489,325
Equity securities	6,357	5,603	19,764	17,731
Mortgage loans	49,471	42,901	152,178	124,743
Real estate	32,490	39,243	87,065	100,842
Options	(23,449)	10,231	(18,152)	(1,658)
Other invested assets	12,022	10,263	32,336	30,975
	252,074	272,267	792,773	761,958
Investment expenses	(26,132)	(34,186)	(77,587)	(93,994)
Total	**$ 225,942**	**$ 238,081**	**$ 715,186**	**$ 667,964**

	Realized Investment Gains (Losses)			
	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Bonds	$ 788	$ 7,631	$ 13,895	$ 24,183
Equity securities	11,975	3,869	30,789	13,888
Mortgage loans	4,968		4,968	
Real estate	(338)	8,814	12,775	10,816
Other invested assets	(412)	(1,024)	(489)	(1,078)
	16,981	19,290	61,938	47,809
Change in allowances	550	851	550	6,893
Total	**$ 17,531**	**$ 20,141**	**$ 62,488**	**$ 54,702**

The other-than-temporary impairments which are not included in the realized investments gains (losses) above are shown below (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Equity securities	$ (4,851)	$ (1,515)	$ (4,851)	$ (4,265)

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5. VARIABLE INTEREST ENTITIES

In the normal course of investment activities, American National and its wholly-owned subsidiaries enter into various real estate partnership agreements. Generally, real estate partnership opportunities are presented to American National by a sponsor, with the significant activities being conducted on behalf of the sponsor. American National participates in the design of these entities, but in most cases, American National s involvement is limited to financing. Through analysis performed by American National, some of these partnerships 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 be used first to settle the liabilities of the VIE. 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. The total assets and liabilities relating to VIEs in which American National is the primary beneficiary and which are consolidated in its financial statements for the periods indicated are as follows (in thousands):

	September 30, 2011	December 31, 2010
Investment real estate	$ 154,751	$ 156,441
Short-term investments	3,364	1,991
Cash and cash equivalents	1,463	1,164
Accrued investment income	2,047	2,035
Other receivables	14,191	16,524
Other assets	4,384	3,884
Total assets of consolidated VIEs	$ 180,200	$ 182,039
Notes payable	$ 58,481	$ 60,140
Other liabilities	2,553	3,499
Total liabilities of consolidated VIEs	$ 61,034	$ 63,639

For other real estate partnerships in which American National is a partner, the major decisions that most significantly impact the economic activities of the partnership require unanimous consent of all partners. American National is not the primary beneficiary and these entities were not consolidated. The following table presents the carrying amount and maximum exposure to loss relating to VIEs for which American National holds significant variable interests but is not the primary beneficiary and which have not been consolidated (in thousands):

	September 30, 2011		December 31, 2010	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Investment in unconsolidated affiliates	$ 76,297	$ 76,297	$ 36,226	$ 36,226

Financial or other support was not provided to investees designated as VIEs in the form of liquidity arrangements, guarantees, or other commitments by third parties that may affect the fair value or risk of American National s variable interest in the investees designated as VIEs as of September 30, 2011 and December 31, 2010.

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6. CREDIT LOSSES

A financing receivable is a contractual right to receive money on demand or on fixed or determinable dates that is recognized as an asset in a company s statement of financial position. Commercial mortgage loans on real estate are the only financing receivables reported by American National.

Nonaccrual and Past Due Mortgage Loans

Interest ceases to be accrued for loans on which interest is more than 90 days past due, when the collection of interest is not considered probable, or when a loan is in foreclosure. Interest received on non-accrual status mortgage loans is included in net investment income in the period received. Once a loan becomes current, it is placed back into accrual status.

The amounts of commercial mortgage loans placed on nonaccrual status are shown in the table below (in thousands):

	September 30, 2011	December 31, 2010
Office	$ 8,436	$
Retail	10,857	3,685
Total	$ 19,293	$ 3,685

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

	September 30, 2011					
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Mortgage Loans
Office	$	$	$ 8,436	$ 8,436	$ 881,852	$ 890,288
Industrial					703,019	703,019
Retail			10,857	10,857	542,167	553,024
Other					680,855	680,855
Total	$	$	$ 19,293	$ 19,293	$ 2,807,893	$ 2,827,186

	December 31, 2010					
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Mortgage Loans
Office	$	$	$	$	$ 798,651	$ 798,651
Industrial					858,241	858,241
Retail	8,579		3,685	12,264	456,983	469,247
Other					596,763	596,763
Total	$ 8,579	$	$ 3,685	$ 12,264	$ 2,710,638	$ 2,722,902

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Allowance for Credit Losses

Each loan is evaluated quarterly and placed in a watchlist if events occur or circumstances exist that could indicate that American National will be unable to collect all amounts due according to the contractual terms of the loan. If, in evaluating loans for inclusion in the watchlist, sufficient analysis is performed to conclude that a loan is fully collectible, no allowance is required. All loans in the watchlist are then analyzed individually for impairment. Fair value is determined by estimating the present value of future cash flows or the fair value of the underlying collateral. Estimation techniques vary depending on the quality of available data, the type of collateral, and other factors. When the fair value analysis shows that not all of the amount due is collectible, the difference between the estimated fair value and the loan balance is recorded as an allowance (a loss). The allowance is reviewed quarterly to determine whether further allowance is required, or whether recovery of the asset is assured and the allowance can be reduced.

Loans not evaluated individually for collectibility are segregated by collateral 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 allowance for credit losses and unpaid principal balance in commercial mortgage loans are shown in the table below (in thousands):

	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Total
Allowance for credit losses			
December 31, 2010	$ 11,395	$ 2,393	$ 13,788
Write down		(1,900)	(1,900)
Change in allowance	(567)		(567)
September 30, 2011	$ 10,828	$ 493	$ 11,321
Unpaid principal balance			
September 30, 2011	$ 2,697,148	$ 130,038	$ 2,827,186
December 31, 2010	$ 2,481,997	$ 240,905	$ 2,722,902

Impaired loans

Mortgage loans on real estate are considered impaired when, based on current information and events, it is probable that American National will be unable to collect all amounts due according to the contractual terms of the loan agreement. American National closely monitors its commercial mortgage loan portfolio on a loan-by-loan basis. Loans with an estimated collateral value less than the loan balance, as well as loans with other characteristics indicative of higher than normal credit risks are reviewed quarterly for purposes of establishing an allowance for credit losses and placing loans on non-accrual status as necessary. The allowance account for mortgage loans on real estate is maintained at a level believed adequate by management and reflects management s best estimate of probable credit losses, including losses incurred at the reporting date but not yet identified by specific loan. Management s periodic evaluation of the adequacy of the allowance for credit losses is based on past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower s ability to repay, the estimated value of the underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. Loans are charged off as uncollectible only when the loan is forgiven by a legal agreement. Prior to charging off the loan, an allowance is recorded based on the estimated recoverable amount. Upon forgiveness, the allowance is reduced and the loan balance is reduced which results in no further gain or loss.

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The detail of loans individually evaluated for impairment with and without an allowance recorded by collateral property-type is shown in the tables below (in thousands):

	Nine months ended September 30, 2011				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded					
Retail	$	$ 493	$ 493	$	$
Without an allowance recorded					
Office	$ 15,442	$ 15,442	$	$ 11,939	$ 871
Industrial				59,630	
Retail	15,676	15,676		13,706	1,099
Other	98,427	98,427		95,415	4,818
Total without an allowance recorded	$ 129,545	$ 129,545	$	$ 180,690	$ 6,788

	Twelve months ended December 31, 2010				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded					
Retail	$ 6,679	$ 9,072	$ 2,393	$ 7,573	$ 406
Without an allowance recorded					
Office	$ 8,436	$ 8,436	$	$ 8,436	$
Industrial	119,260	119,260		119,285	5,333
Retail	11,735	11,735		13,011	1,220
Other	92,402	92,402		86,312	5,844
Total without an allowance recorded	$ 231,833	$ 231,833	$	$ 227,044	$ 12,397

Credit Quality Indicators

The credit quality of the mortgage loan portfolio is assessed monthly to determine 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. Retail loans classified as non-performing amounted to $10,857,000 and $3,685,000 as of September 30, 2011 and December 31, 2010, respectively. Office loans classified as non-performing amounted to $8,436,000 and $0 at September 30, 2011 and December 31, 2010, respectively. All other loans were classified as performing.

During the nine months ended September 30, 2011, American National sold one industrial loan with a recorded investment of $27,532,000 and realized a gain of $4,968,000.

There were no troubled debt restructurings during the nine months ended September 30, 2011.

7. CREDIT RISK MANAGEMENT

American National employs a strategy to invest funds at the highest return possible commensurate with sound and prudent underwriting practices to ensure a well-diversified investment portfolio.

Bonds

Management believes American National s bond portfolio is diversified and of investment grade. The bond portfolio distributed by credit quality rating, using both S&P and Moody s ratings, is shown below:

	September 30, 2011	December 31, 2010
AAA	8.5%	10.0%
AA	12.2	10.2
A	38.5	37.0
BBB	36.6	37.2
BB and below	4.2	5.6
Total	**100.0**%	**100.0**%

Equity Securities

American National s equity securities by market sector distribution are shown below:

	September 30, 2011	December 31, 2010
Consumer goods	20.9%	20.7%
Energy and utilities	17.9	18.5
Financials	17.6	16.6
Information technology	16.1	16.3
Healthcare	11.2	10.4
Industrials	8.8	10.3
Communications	4.5	4.2
Materials	2.8	3.0
Other	0.2	
Total	**100.0**%	**100.0**%

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Mortgage loans and investment real estate

American National makes mortgage loans and invests in real estate primarily in the commercial sector in areas that offer the potential for property value appreciation. Generally, mortgage loans are secured by first liens on income-producing real estate. American National attempts to maintain a diversified portfolio of mortgage loans and real estate properties by considering the property-type as well as the geographic distribution of the property, which is the underlying mortgage collateral or investment property.

Mortgage loans and investment real estate by property-type distribution are as follows:

	Mortgage Loans		Investment Real Estate	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Office buildings	31.4%	29.3%	22.5%	20.8%
Industrial	24.9	31.5	16.8	24.1
Shopping centers	19.6	17.3	39.6	35.6
Hotels and motels	11.9	12.5	2.1	2.0
Other	12.2	9.4	19.0	17.5
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Mortgage loans and investment real estate by geographic distribution are as follows:

	Mortgage Loans		Investment Real Estate	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
West South Central	24.8%	23.0%	67.6%	61.2%
South Atlantic	21.3	19.3	11.4	18.4
East North Central	18.6	20.4	5.4	5.6
Pacific	10.3	9.4	2.4	2.2
Mountain	7.0	7.4	7.1	1.3
Middle Atlantic	5.8	6.2		
East South Central	5.7	6.5	5.2	10.1
West North Central	3.1	4.1	0.9	1.2
New England	2.8	3.1		
Other	0.6	0.6		
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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8. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	September 30, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Fixed maturity securities				
Bonds held-to-maturity				
U.S. treasury and other U.S. government corporations and agencies	$ 22,277	$ 22,508	$ 23,117	$ 23,405
States of the U.S. and political subdivisions of the states	411,656	441,375	422,249	422,446
Foreign governments	29,038	33,736	29,020	33,930
Corporate debt securities	8,041,927	8,591,331	7,293,501	7,738,777
Residential mortgage-backed securities	740,757	795,469	661,516	691,820
Commercial mortgage-backed securities	31,340	16,647	31,340	13,582
Collateralized debt securities	7,142	6,174	8,562	8,315
Other debt securities	38,657	42,446	44,245	47,559
Total bonds held-to-maturity	**9,322,794**	**9,949,686**	**8,513,550**	**8,979,834**
Bonds available-for-sale				
U.S. treasury and other U.S. government corporations and agencies	11,092	11,092	13,907	13,907
States of the U.S. and political subdivisions of the states	614,682	614,682	594,112	594,112
Foreign governments	7,437	7,437	6,967	6,967
Corporate debt securities	3,417,199	3,417,199	3,201,569	3,201,569
Residential mortgage-backed securities	224,704	224,704	271,393	271,393
Collateralized debt securities	19,361	19,361	20,709	20,709
Other debt securities	15,168	15,168	14,956	14,956
Total bonds available-for-sale	**4,309,643**	**4,309,643**	**4,123,613**	**4,123,613**
Total fixed maturity securities	**13,632,437**	**14,259,329**	**12,637,163**	**13,103,447**
Equity securities				
Common stock	907,888	907,888	1,045,888	1,045,888
Preferred stock	37,606	37,606	36,867	36,867
Total equity securities	**945,494**	**945,494**	**1,082,755**	**1,082,755**
Options	49,707	49,707	66,716	66,716
Mortgage loans on real estate, net of allowance	2,793,656	2,913,882	2,679,909	2,703,674
Policy loans	389,844	389,844	380,505	380,505
Short-term investments	350,430	350,430	486,206	486,206
Separate account assets	711,135	711,135	780,563	780,563

Total financial assets	**$ 18,872,703**	**$ 19,619,821**	**$ 18,113,817**	**$ 18,603,866**
Financial liabilities:				
Investment contracts	$ 9,458,567	9,458,567	$ 8,586,041	$ 8,586,041
Liability for embedded derivatives of equity-indexed annuities	42,898	42,898	59,644	59,644
Notes payable	58,481	58,481	60,140	60,140
Separate account liabilities	711,135	711,135	780,563	780,563
Total financial liabilities	**$ 10,271,081**	**$ 10,271,081**	**$ 9,486,388**	**$ 9,486,388**

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. An asset or liability s classification 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. American National defines active markets based on average trading volume for equity securities. The size of the bid/ask spread is used as an indicator of market activity for equity securities.

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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.

American National has evaluated the types of securities in its investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs. Based on the results of this evaluation and investment class analysis, each price was classified into Level 1, 2, or 3.

American National utilizes a pricing service to estimate fair value measurements for approximately 99.0% of fixed maturity securities. 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, the pricing service uses an option adjusted spread model to develop prepayment and interest rate scenarios.

The pricing service evaluates each asset class based on relevant market information, relevant 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 by the pricing service and the techniques applied by the pricing service to produce quotes that represent the fair value of a specific security. The review of the pricing service s methodology confirms the service is utilizing information from organized transactions or a technique that represents a market participant s assumptions. American National does not adjust quotes received by 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. If the pricing service discontinues pricing an investment, American National would be required to produce an estimate of fair value using some of the same methodologies as the pricing service, but would have to make assumptions for market-based inputs that are unavailable due to market conditions.

The fair value estimates of most fixed maturity securities including municipal bonds are based on observable market information rather than market quotes. Accordingly, the estimates of fair value for such fixed maturity securities provided by the pricing service are included in the amount disclosed in Level 2 of the hierarchy.

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Additionally, American National holds a small amount of fixed maturity securities that have characteristics that make them unsuitable for matrix pricing. For these fixed maturity securities, a quote from a 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. The pricing of certain private placement debt also includes significant non-observable inputs, the internally determined credit rating of the security, and an externally provided credit spread, and these securities are classified as Level 3 measurements.

For public common and preferred stocks, American National receives prices from a nationally recognized pricing service that are based on observable market transactions and these securities are disclosed in Level 1. For certain preferred stock, current market quotes in active markets are unavailable. In these instances, American National receives an estimate of fair value from the pricing service that provides fair value estimates for the fixed maturity securities. The service utilizes some of the same methodologies to price the preferred stocks as it does for the fixed maturity securities. These estimates for equity securities are classified as Level 2 measurements.

Some assets and liabilities do not fit the hierarchical model for determining fair value. For policy loans, the carrying amount approximates their fair value, because the policy loans cannot be separated from the policy contract. The fair value of investment contract liabilities is determined in accordance with GAAP rules on insurance products and is estimated using a discounted cash flow model using American National s current interest rates on new products. The carrying value for these contracts approximates their fair value. The carrying amount for notes payable approximates their fair value.

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

	Fair Value Measurement as of September 30, 2011 Using:			
	Total Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Fixed maturity securities				
Bonds held-to-maturity				
U.S. treasury and other U.S. government corporations and agencies	$ 22,508	$	$ 22,508	$
States of the U.S. and political subdivisions of the states	441,375		441,237	138
Foreign governments	33,736		33,736	
Corporate debt securities	8,591,331		8,532,503	58,828
Residential mortgage-backed securities	795,469		793,644	1,825
Commercial mortgage-backed securities	16,647		16,647	
Collateralized debt securities	6,174			6,174
Other debt securities	42,446		42,446	
Total bonds held-to-maturity	**9,949,686**		**9,882,721**	**66,965**
Bonds available-for-sale				
U.S. treasury and other U.S. government corporations and agencies	11,092		11,092	
States of the U.S. and political subdivisions of the states	614,682		612,157	2,525
Foreign governments	7,437		7,437	
Corporate debt securities	3,417,199		3,408,842	8,357
Residential mortgage-backed securities	224,704		224,697	7
Collateralized debt securities	19,361		19,102	259
Other debt securities	15,168		15,168	
Total bonds available-for-sale	**4,309,643**		**4,298,495**	**11,148**
Total fixed maturity securities	**14,259,329**		**14,181,216**	**78,113**
Equity securities				
Common stock	907,888	907,888		
Preferred stock	37,606	37,606		
Total equity securities	**945,494**	**945,494**		
Options	49,707			49,707

Mortgage loans on real estate		2,913,882				2,913,882		
Short-term investments		350,430				350,430		
Separate account assets		711,135				711,135		
Total financial assets	**$**	**19,229,977**	**$**	**945,494**	**$**	**18,156,663**	**$**	**127,820**
Financial liabilities:								
Liability for embedded derivatives of equity-indexed annuities	$	42,898	$		$		$	42,898
Separate account liabilities		711,135				711,135		
Total financial liabilities	**$**	**754,033**	**$**		**$**	**711,135**	**$**	**42,898**

	Fair Value Measurement as of December 31, 2010 Using:			
	Total Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Fixed maturity securities				
Bonds held-to-maturity				
U.S. treasury and other U.S. government corporations and agencies	$ 23,405	$	$ 23,405	$
States of the U.S. and political subdivisions of the states	422,446		422,308	138
Foreign governments	33,930		33,930	
Corporate debt securities	7,738,777		7,680,834	57,943
Residential mortgage-backed securities	691,820		689,487	2,333
Commercial mortgage-backed securities	13,582		13,582	
Collateralized debt securities	8,315			8,315
Other debt securities	47,559		47,559	
Total bonds held-to-maturity	**8,979,834**		**8,911,105**	**68,729**
Bonds available-for-sale				
U.S. treasury and other U.S. government corporations and agencies	13,907		13,907	
States of the U.S. and political subdivisions of the states	594,112		591,587	2,525
Foreign governments	6,967		6,967	
Corporate debt securities	3,201,569		3,182,625	18,944
Residential mortgage-backed securities	271,393		271,376	17
Collateralized debt securities	20,709		20,447	262
Other debt securities	14,956		14,956	
Total bonds available-for-sale	**4,123,613**		**4,101,865**	**21,748**
Total fixed maturity securities	**13,103,447**		**13,012,970**	**90,477**
Equity securities				
Common stock	1,045,888	1,045,888		
Preferred stock	36,867	36,867		
Total equity securities	**1,082,755**	**1,082,755**		
Options	66,716			66,716
Mortgage loans on real estate	2,703,674		2,703,674	
Short-term investments	486,206		486,206	
Separate account assets	780,563		780,563	

Total financial assets	**$ 18,223,361**	**$ 1,082,755**	**$ 16,983,413**	**$ 157,193**
Financial liabilities:				
Liability for embedded derivatives of equity-indexed annuities	$ 59,644	$	$	$ 59,644
Separate account liabilities	780,563		780,563	
Total financial liabilities	**$ 840,207**	**$**	**$ 780,563**	**$ 59,644**

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

	Investment Securities	Equity-Indexed Options	Liability for Embedded Derivatives	Total
Three Months Ended September 30, 2011				
Balance, beginning of period	**$ 76,886**	**$ 71,525**	**$ (65,025)**	**$ 83,386**
Total realized and unrealized investment gains/losses				
Included in other comprehensive income	1,606			1,606
Net fair value change included in realized gains/losses				
Net gain for derivatives included in net investment income		(23,449)		(23,449)
Net change included in interest credited			22,127	22,127
Purchases, sales and settlements or maturities				
Purchases	1	5,350		5,351
Sales	(257)			(257)
Settlements or maturities	(123)	(3,719)		(3,842)
Balance, end of period	**$ 78,113**	**$ 49,707**	**$ (42,898)**	**$ 84,922**
Three Months Ended September 30, 2010				
Balance, beginning of period	**$ 81,900**	**$ 41,344**	**$ (23,341)**	**$ 99,903**
Total realized and unrealized investment gains/losses				
Included in other comprehensive income	(174)			(174)
Net fair value change included in realized gains/losses	7			7
Net loss for derivatives included in net investment income		10,231		10,231
Net change included in interest credited			(25,662)	(25,662)
Purchases, sales and settlements or maturities				
Purchases	14,895	7,676		22,571
Sales	(418)			(418)
Settlements or maturities		(3,892)		(3,892)
Gross transfers out of Level 3	(1,874)			(1,874)
Balance, end of period	**$ 94,336**	**$ 55,359**	**$ (49,003)**	**$ 100,692**

	Investment Securities	Equity-Indexed Options	Liability for Embedded Derivatives	Total
Nine Months Ended September 30, 2011				
Balance, beginning of period	**$ 90,477**	**$ 66,716**	**$ (59,644)**	**$ 97,549**

Total realized and unrealized investment gains/losses				
Included in other comprehensive income	1,348			1,348
Net fair value change included in realized gains/losses	168			168
Net gain for derivatives included in net investment income		(18,152)		(18,152)
Net change included in interest credited			16,746	16,746
Purchases, sales and settlements or maturities				
Purchases	13	14,226		14,239
Sales	(10,438)			(10,438)
Settlements or maturities	(3,455)	(13,083)		(16,538)
Balance, end of period	**$ 78,113**	**$ 49,707**	**$ (42,898)**	**$ 84,922**
Nine Months Ended September 30, 2010				
Balance, beginning of period	**$ 36,966**	**$ 32,801**	**$ (22,487)**	**$ 47,280**
Total realized and unrealized investment gains/losses				
Included in other comprehensive income	1,004			1,004
Net fair value change included in realized gains/losses	(10)			(10)
Net loss for derivatives included in net investment income		(1,658)		(1,658)
Net change included in interest credited			(26,516)	(26,516)
Purchases, sales and settlements or maturities				
Purchases	65,036	31,141		96,177
Settlements or maturities	(1,472)	(6,925)		(8,397)
Gross transfers into Level 3	5,913			5,913
Gross transfers out of Level 3	(13,101)			(13,101)
Balance, end of period	**$ 94,336**	**$ 55,359**	**$ (49,003)**	**$ 100,692**

The transfers into Level 3 were the result of existing securities no longer being priced by the third-party pricing service at the end of the period. In accordance with American National s pricing methodology, these securities are being valued using similar techniques as the pricing service; however, the service-developed data is used in the process, which results in unobservable inputs and a corresponding transfer into Level 3.

The transfers out of Level 3 were securities being priced by a third-party service at the end of the period, using inputs that are observable or derived from market data, which resulted in classification of these assets as Level 2.

There were no transfers between Level 1 and Level 2 fair value hierarchies.

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9. DEFERRED POLICY ACQUISITION COSTS

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

	Life	Annuity	Accident & Health	Property & Casualty	Total
Balance at December 31, 2010	$ 661,377	$ 446,996	$ 64,967	$ 145,086	$ 1,318,426
Additions	59,672	98,345	9,599	209,542	377,158
Amortization	(55,848)	(67,840)	(16,011)	(194,925)	(334,624)
Effect of change in unrealized gains/losses on available-for-sale securities	3,005	(10,625)			(7,620)
Net change	6,829	19,880	(6,412)	14,617	34,914
Balance at September 30, 2011	$ 668,206	$ 466,876	$ 58,555	$ 159,703	$ 1,353,340
Premiums for the nine months ended:					
September 30, 2011	$ 207,786	$ 73,304	$ 174,736	$ 856,958	$ 1,312,784
September 30, 2010	$ 209,670	$ 132,140	$ 200,553	$ 871,672	$ 1,414,035

Commissions comprise the majority of the additions to deferred policy acquisition costs for each year. All amounts for the present value of future profits resulting from the acquisition of life insurance portfolios have been accounted for in accordance with the relevant accounting literature and are immaterial in all periods presented.

10. LIABILITY FOR UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

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

	2011	2010
Unpaid claims balance at January 1	$ 1,210,126	$ 1,214,996
Less reinsurance recoverables	222,635	252,502
Net beginning balance	**987,491**	**962,494**
Incurred claims related to:		
Current	857,660	919,021
Prior years	(47,864)	(70,174)
Total incurred claims	**809,796**	**848,847**

Paid claims related to:		
Current	536,834	552,163
Prior years	290,279	273,531
Total paid claims	**827,113**	**825,694**
Net balance	970,174	985,647
Plus reinsurance recoverables	253,178	230,077
Unpaid claims balance at September 30	**$ 1,223,352**	**$ 1,215,724**

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The potential uncertainty caused by volatility in loss development profiles is adjusted through the selection of loss development factor patterns for each line of insurance. The net and gross reserve calculations have shown favorable development for the last several years 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 and claims adjustment expenses attributable to insured events of prior years decreased by approximately $47,864,000 during the first nine months of 2011 and $70,174,000 during the same period in 2010.

11. NOTES PAYABLE

American National s real estate holding subsidiaries are partners in certain ventures determined to be VIEs, and are consolidated in American National s consolidated financial statements. At September 30, 2011, the current portion and the long-term portion of the notes payable to third-party lenders associated with these consolidated VIEs were $0 and $58,481,000, respectively. At December 31, 2010, the current portion and long-term portion of the notes payable to third-party lenders associated with these consolidated VIEs were $47,632,000 and $12,508,000, respectively. The long-term notes payable have interest rates equivalent to adjusted LIBOR plus 1.00% and 2.50%. The average interest rate on the long-term notes payable was 4.33% and 6.38% during the first nine months of 2011 and 2010, respectively, and will mature in 2012, 2016 and 2049. The real estate owned through the respective venture entity secures each of these notes, and American National s liability for these notes is limited to the amount of its investment in the respective venture, which totaled $21,505,000 at September 30, 2011 and $21,224,000 at December 31, 2010.

12. FEDERAL INCOME TAXES

The federal income tax provisions vary from the amounts computed when applying the statutory federal income tax rate. A reconciliation of the effective tax rate to the statutory federal income tax rate is shown below (in thousands, except percentages):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011		2010		2011		2010	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Income tax expense on pre-tax income	$ 26,283	35.0%	$ 27,872	35.0%	$ 61,586	35.0%	$ 52,435	35.0%
Tax-exempt investment income	(1,968)	(2.6)	(2,211)	(2.8)	(6,035)	(3.4)	(6,771)	(4.5)
Dividend exclusion	(1,342)	(1.8)	(636)	(0.8)	(4,046)	(2.3)	(3,485)	(2.3)
Miscellaneous tax credits, net	(1,515)	(2.0)	(1,766)	(2.2)	(5,644)	(3.2)	(5,344)	(3.6)
Other items, net	(2,404)	(3.2)	7,998	10.0	(5,078)	(2.9)	7,745	5.2
Total	**$ 19,054**	**25.4%**	**$ 31,257**	**39.2%**	**$ 40,783**	**23.2%**	**$ 44,580**	**29.8%**

The tax effects of temporary differences that gave rise to the deferred tax assets and liabilities are shown below (in thousands):

	September 30, 2011	December 31, 2010
DEFERRED TAX ASSETS:		
Investments, principally due to impairment losses	$ 96,535	$ 106,445
Investment in real estate and other invested assets principally due to investment valuation allowances	8,631	9,237
Policyholder funds, principally due to policy reserve discount	231,301	230,496
Policyholder funds, principally due to unearned premium reserve	33,381	31,840
Non-qualified pension	28,841	29,345
Participating policyholders surplus	34,403	31,180
Pension	37,589	37,759
Commissions and other expenses	14,470	13,870
Tax carryforwards	30,408	26,599
Other assets	11,577	
Gross deferred tax assets	**527,136**	**516,771**
DEFERRED TAX LIABILITIES:		
Available-for-sale securities, principally due to net unrealized gains	(164,848)	(195,840)
Investment in bonds, principally due to accrual of discount on bonds	(11,033)	(16,639)
Deferred policy acquisition costs, due to difference between GAAP and tax amortization methods	(361,428)	(350,981)
Property, plant and equipment, principally due to difference between GAAP and tax depreciation methods	(10,248)	(5,668)
Other liabilities		(1,380)
Gross deferred tax liabilities	**(547,557)**	**(570,508)**
Total net deferred tax asset (liability)	**$ (20,421)**	**$ (53,737)**

Management believes that a sufficient level of taxable income will be achieved to utilize the deferred tax assets of the companies in the consolidated federal tax return; therefore, no valuation allowance was recorded as of September 30, 2011 or December 31, 2010. However, if not utilized beforehand, approximately $30,408,000 in ordinary loss tax carryforwards will expire at the end of tax year 2030.

American National recognizes interest expense and penalties related to uncertain tax positions. Interest expense and penalties are included in the Other operating expenses line in the consolidated statements of operations. No interest or penalties were recognized or accrued for the nine months ended September 30, 2011 or year ended December 31, 2010. Management does not believe that there are any uncertain tax benefits that could be recognized within the next twelve months that would affect American National s effective tax rate.

The statute of limitations for the examination of federal income tax returns by the Internal Revenue Service (IRS) for years 2006 to 2010 either has been extended or has not expired. 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. Approximately $34,441,000 and $35,893,000 in net federal income taxes were paid to the IRS during the nine months ended September 30, 2011 and 2010, respectively.

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13. COMPONENTS OF COMPREHENSIVE INCOME (LOSS)

The details on the unrealized gains and losses included in comprehensive income (loss), and the related tax effects thereon, are shown below (in thousands):

	Before Federal Income Tax	Federal Income Tax	Net of Federal Income Tax
September 30, 2011			
Unrealized holding gains (losses) during the period	$ (61,422)	$ (21,498)	$ (39,924)
Reclassification adjustment for net (gains) losses realized in net income	(27,387)	(9,494)	(17,893)
Unrealized gains (losses) on available-for-sale securities	(88,809)	(30,992)	(57,817)
Adjustment to deferred policy acquisition costs	(7,620)	(2,725)	(4,895)
Unrealized (gains) losses on investments attributable to participating policyholders interest	1,718	601	1,117
Net unrealized gain (loss)	**$ (94,711)**	**$ (33,116)**	**$ (61,595)**
September 30, 2010			
Unrealized holding gains (losses) during the period	$ 271,202	$ 94,897	$ 176,305
Reclassification adjustment for net (gains) losses realized in net income	(28,902)	(10,116)	(18,786)
Unrealized gains (losses) on available-for-sale securities	242,300	84,781	157,519
Adjustment to deferred policy acquisition costs	(80,063)	(28,021)	(52,042)
Unrealized (gains) losses on investments attributable to participating policyholders interest	(9,023)	(3,158)	(5,865)
Net unrealized gain (loss)	**$ 153,214**	**$ 53,602**	**$ 99,612**

14. STOCKHOLDERS EQUITY AND NONCONTROLLING INTERESTS

Common stock

American National has only 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:

	September 30, 2011	December 31, 2010
Common stock		
Shares issued	30,832,449	30,832,449
Treasury shares	(4,011,165)	(4,011,472)
Restricted shares	(261,334)	(261,334)
Unrestricted outstanding shares	**26,559,950**	**26,559,643**

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 of these. 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.

RS Awards entitle the participant to full dividend and voting rights. 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 feature a graded vesting schedule in the case of the retirement of an award holder. Restricted stock has been granted, with a total of 340,334 shares granted at an exercise price of zero, of which 261,334 shares are unvested. The compensation expense recorded for the three months and nine months ended September 30, 2011 was $678,000 and $2,011,000, respectively. The compensation expense recorded for the three and nine months ended September 30, 2010 was $630,000 and $1,970,000, respectively.

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The SARs give the holder the right to cash compensation based on the difference between the price of a share of stock on the grant date and the price on the exercise date. The SARs vest at a rate of 20% per year for 5 years and expire 5 years after the vesting period. American National uses the Black-Scholes option pricing model to calculate the fair value and compensation expense for SARs. The fair value of the SARs was $4,000 and $17,000 at September 30, 2011 and December 31, 2010, respectively. Compensation income was recorded totaling $9,000 and $13,000 for the three and nine months ended September 30, 2011, respectively. Compensation income was recorded totaling $23,000 and $1,606,000 for the three and nine months ended September 30, 2010, respectively.

RSUs are awarded as part of American National s incentive compensation plan. In 2011, RSUs were also awarded as part of the Board of Directors compensation. The RSUs are converted to American National s common stock on a one-for-one basis subject to a two-year cliff or three-year graded vesting requirement, depending on the grant date. These awards result in compensation expense to American National over the vesting period. Compensation expense was $530,000 and $1,343,000 for the three and nine months ended September 30, 2011, respectively. Compensation expense was $130,000 and $390,000 for the three and nine months ended September 30, 2010, respectively.

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

	SAR Shares	SAR Weighted-Average Grant Date Fair Value	RS Shares	RS Weighted-Average Grant Date Fair Value	RS Units	RSU Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2010	**144,727**	**$ 109.40**	**261,334**	**$ 102.98**	**9,419**	**$ 109.29**
Granted					61,481	79.63
Exercised	(133)	66.76			(480)	79.63
Forfeited	(4,358)	115.63			(854)	86.47
Expired	(12,800)	101.11				
Outstanding at September 30, 2011	**127,436**	**$ 110.06**	**261,334**	**$ 102.98**	**69,566**	**$ 83.56**

The weighted-average contractual remaining life for the outstanding SAR shares as of September 30, 2011, is 3.8 years. The weighted-average exercise price, which is the same with the weighted-average grant date fair value above, for these shares is $110.06 per share. Of the shares outstanding, 92,407 are exercisable at a weighted-average exercise price of $108.96 per share.

The weighted-average contractual remaining life for the outstanding RS shares as of September 30, 2011, is 5.3 years. The weighted-average price at the date of grant for these shares is $102.98 per share. None of the shares outstanding were exercisable.

The weighted-average contractual remaining life for the outstanding RSUs as of September 30, 2011, is 2.3 years. The weighted-average price at the date of grant for these units is $83.56 per share. None of the outstanding units were exercisable.

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Earnings (losses) per share

Basic earnings (losses) per share was calculated using a weighted-average number of shares outstanding of 26,559,865 and 26,558,832 at September 30, 2011 and 2010, respectively. The Restricted Stock resulted in diluted earnings per share as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	**2010**	**2011**	**2010**
Weighted average shares outstanding	26,559,950	26,558,832	26,559,865	26,558,832
Incremental shares from restricted stock	158,514	119,562	146,933	119,562
Total shares for diluted calculations	**26,718,464**	**26,678,394**	**26,706,798**	**26,678,394**
Net income (loss) from continuing operations attributable to American National Insurance Company and Subsidiaries	**$ 57,569,000**	**$ 47,569,000**	**$ 136,109,000**	**$ 106,968,000**
Net income (loss) from discontinued operations		**(513,000)**		**1,488,000**
Net income (loss) attributable to American National Insurance Company and Subsidiaries	**$ 57,569,000**	**$ 47,056,000**	**$ 136,109,000**	**$ 108,456,000**
Basic earnings (loss) per share from continued operations	**$ 2.17**	**$ 1.79**	**$ 5.12**	**$ 4.02**
Basic earnings (loss) per share from discontinued operations		**$ (0.02)**		**$ 0.06**
Basic earnings (loss) per share	**$ 2.17**	**$ 1.77**	**$ 5.12**	**$ 4.08**
Diluted earnings (loss) per share from continued operations	**$ 2.15**	**$ 1.78**	**$ 5.10**	**$ 4.01**
Diluted earnings (loss) per share from discontinued operations		**(0.02)**		**0.06**
Diluted earnings (loss) per share	**$ 2.15**	**$ 1.76**	**$ 5.10**	**$ 4.07**

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 statutory net gain from operations on an annual non-cumulative basis, or 10% of statutory surplus. Additionally, insurance companies are not permitted to distribute the excess of stockholders equity determined on a GAAP basis over that determined on a statutory basis. American National Insurance Company s statutory capital and surplus was $2,008,626,000 at September 30, 2011 and

$1,954,149,000 at December 31, 2010.

The same restrictions on amounts that can transfer in the form of dividends, loans, or advances to the parent company apply to American National s insurance subsidiaries. Dividends received by the parent company from its non-insurance subsidiaries was zero for the three and nine months ended September 30, 2011 and $2,000,000 and $6,000,000 for the three and nine months ended September 30, 2010, respectively.

At September 30, 2011, approximately $1,383,199,000 of American National s consolidated stockholders equity represents net assets of its insurance subsidiaries, compared to approximately $1,396,736,000 at December 31, 2010. Any transfer of these net assets to American National Insurance Company would be subject to statutory restrictions or approval.

Noncontrolling interests

American National County Mutual Insurance Company (County Mutual) is a mutual insurance company that is owned by its policyholders. County Mutual has a management agreement, which effectively gives complete control of County Mutual to American National. As a result, County Mutual is included in the consolidated financial statements of American National. The interests that the policyholders of County Mutual have in the financial position of County Mutual is reflected as noncontrolling interest totaling $6,750,000 at September 30, 2011 and December 31, 2010.

American National s wholly-owned subsidiary, ANTAC, Inc., is a partner in various joint ventures. ANTAC exercises significant control or ownership to certain of these joint ventures, resulting in their consolidation into the American National consolidated financial statements. As a result of the consolidation, the interest of the other partners of the joint ventures is shown as noncontrolling interests. Noncontrolling interests were a deficit of $16,051,000 and $2,708,000 at September 30, 2011 and December 31, 2010, respectively.

15. SEGMENT INFORMATION

American National and its subsidiaries are engaged principally in the insurance business. Management organizes the business into five operating segments:

- The Life segment markets whole, term, universal and variable life insurance on a national basis primarily through employee and multiple-line agents, direct marketing channels and independent third-party marketing organizations.
- The Annuity segment develops, sells and supports fixed, equity-indexed, and variable annuity products. These products are primarily sold through independent agents and brokers, but are also sold through financial institutions, multiple-line agents and employee agents.
- The Health segment s 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.
- The Property and Casualty segment writes personal, commercial and credit-related property insurance. These products are primarily sold through multiple-line agents and independent agents.
- The Corporate and Other business segment consists of net investment income on the investments not allocated to the insurance segments and the operations of non-insurance lines of business.

The accounting policies of the segments are the same as those referred to in Note 2, Summary of Significant Accounting Policies and Practices, of the Notes to the Unaudited Consolidated Financial Statements. Many of the principal factors that drive the profitability of each operating segment are separate and distinct. All income and expense amounts specifically attributable to policy transactions are recorded directly to the appropriate operating segment. Income 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 funds accumulated by each line of business at the average yield available from these assets.
- Net investment income from all other assets is allocated to