

AMERICAN NATIONAL INSURANCE CO /TX/

Form 10-Q

May 08, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

or

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

American National Insurance Company

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

74-0484030
(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. Yes No

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

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

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

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

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

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AMERICAN NATIONAL INSURANCE COMPANY

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

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

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

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

See accompanying notes to the consolidated financial statements.

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AMERICAN NATIONAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

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

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

Equity in earnings (losses) of unconsolidated affiliates, net of tax	36,780	(62)
Net income	102,253	51,498
Less: Net income attributable to noncontrolling interest, net of tax	(729)	(756)
Net income attributable to American National	\$ 102,982	\$ 52,254

Amounts available to American National common stockholders

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

See accompanying notes to the consolidated financial statements.

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

(Unaudited and in thousands)

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

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

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

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

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

See accompanying notes to the consolidated financial statements.

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AMERICAN NATIONAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited and in thousands)

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

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

See accompanying notes to the consolidated financial statements.

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Nature of Operations

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

Note 2 Summary of Significant Accounting Policies and Practices

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

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

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

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

Note 3 Recently Issued Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Equity securities by market sector distribution are shown below:

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

Note 5 Mortgage Loans

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

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

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

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

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

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

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

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

Allowance for loan losses 18,384

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

December 31, 2014

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

Allowance for loan losses 17,860

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

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

Allowance for Credit Losses

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

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

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

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

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

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

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

Troubled Debt Restructurings

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

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

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

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

Note 6 Investment Real Estate

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

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

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

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

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

March 31, 2015 December 31, 2014

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

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

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

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

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

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

Note 7 Derivative Instruments

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

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

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

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

Net investment income is shown below (in thousands):

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

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

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

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

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

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

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

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

Summary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Note 9 Fair Value of Financial Instruments (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 11 Liability for Unpaid Claims and Claim Adjustment Expenses

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Stock-based compensation

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

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

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

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

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

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

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

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

Earnings per share

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

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

Statutory Capital and Surplus

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

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

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

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

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

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

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

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

Dividends

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

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

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Note 14 Stockholders Equity and Noncontrolling Interests (Continued)

Noncontrolling interests

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

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

Note 15 Segment Information

Management organizes the business into five operating segments:

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

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

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

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

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

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

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

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

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

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

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

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

Note 16 Commitments and Contingencies**Commitments**

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

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

Guarantees

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

Litigation

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

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

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

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

Note 17 Related Party Transactions

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

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

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

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

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

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

Forward-Looking Statements

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

Economic & Investment Risk Factors

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

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

lack of liquidity for certain of our investments;

risk of investment losses and defaults;

Operational Risk Factors

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

potential ineffectiveness of our risk management policies and procedures;

changes in our experience related to deferred policy acquisition costs;

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

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

Catastrophic Event Risk Factors

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

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

Marketplace Risk Factors

the highly competitive nature of the insurance and annuity business;

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

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

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Litigation and Regulation Risk Factors

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

significant changes in government regulation;

changes in tax law;

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

Reinsurance and Counterparty Risk Factors

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

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

Other Risk Factors

potentially adverse rating agency actions; and

control of our company by a small number of stockholders.

Overview

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

General Trends

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

Critical Accounting Estimates

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

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

Recently Issued Accounting Pronouncements

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

Table of Contents**Consolidated Results of Operations**

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

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

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

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

Life

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

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

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

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

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

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

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

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

Life insurance sales

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

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

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

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

Benefits, losses and expenses

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

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

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

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

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

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

	March 31, 2015	December 31, 2014	Change
Life insurance in-force			
Traditional life	\$ 60,551,271	\$ 59,409,750	