AMERICAN NATIONAL INSURANCE CO /TX/
Form 10-Q
November 05, 2010

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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, 2010
OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________
Commission file number: 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 number)*
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 þ NO o

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 (§232.405 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 o NO o

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 the 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 o Non-accelerated filer þ 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).
YES o NO þ

As of October 31, 2010, the registrant had 26,820,166 shares of 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,	
	2010	**2009**	**2010**	**2009**
PREMIUMS AND OTHER REVENUE				
Premiums				
Life	$ 71,352	$ 76,320	$ 209,670	$ 211,638
Annuity	51,180	58,284	132,140	149,141
Accident and health	64,288	74,428	200,553	224,001
Property and casualty	297,703	298,073	871,672	866,989
Other policy revenues	46,342	45,292	138,066	133,740
Net investment income	238,081	222,192	667,964	629,880
Realized investments gains (losses)	22,135	3,252	56,696	(2,768)
Other-than-temporary impairments	(3,509)	(4,187)	(6,259)	(78,335)
Other income	2,884	3,214	13,227	17,533
Total revenues	790,456	776,868	2,283,729	2,151,819
BENEFITS, LOSSES AND EXPENSES				
Policy Benefits				
Life	73,402	75,865	220,408	222,131
Annuity	56,963	63,776	155,100	170,584
Accident and health	43,140	57,217	141,330	178,983
Property and casualty	208,893	222,196	702,070	714,041
Interest credited to policy account balances	110,871	98,252	284,797	275,554
Commissions for acquiring and servicing policies	120,408	114,144	343,185	341,734
Other operating costs and expenses	110,951	124,875	333,841	349,494
Increase in deferred policy acquisition costs	(13,806)	(14,351)	(46,815)	(48,380)
Total benefits, losses and expenses	710,822	741,974	2,133,916	2,204,141
Income (loss) from continuing operations before federal income tax, and equity in earnings (losses) of unconsolidated affiliates	79,634	34,894	149,813	(52,322)
Provision (benefit) for federal income taxes				

Current		29,162		4,516		48,690		(20,559)
Deferred		2,095		(1,338)		(4,110)		(17,313)
Total provision (benefit) for federal income taxes		31,257		3,178		44,580		(37,872)
Equity in earnings (losses) of unconsolidated affiliates, net of tax		(144)		2,110		(75)		(3,007)
Income (loss) from continuing operations		48,233		33,826		105,158		(17,457)
Income (loss) from discontinued operations, net of income tax expense (benefit) (See Note 16)		(513)		122		1,488		(1,214)
Net income (loss)		47,720		33,948		106,646		(18,671)
Less**:** Net income (loss) attributable to noncontrolling interest		664		1,248		(1,810)		679
Net income (loss) attributable to American National Insurance Company and Subsidiaries	$	47,056	$	32,700	$	108,456	$	(19,350)
Amounts available to American National Insurance Company common stockholders								
Earnings (loss) per share:								
Basic	$	1.77	$	1.23	$	4.08	$	(0.73)
Diluted	$	1.76	$	1.23	$	4.07	$	(0.73)
Weighted average common shares outstanding		26,558,832		26,528,832		26,558,832		26,518,832
Weighted average common shares outstanding and dilutive potential common shares		26,678,394		26,571,368		26,678,394		26,518,832

See accompanying notes to the 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, 2010	December 31, 2009
ASSETS		
Investments, other than investments in unconsolidated affiliates		
Fixed Securities:		
Bonds held-to-maturity	$ 8,006,389	$ 7,461,711
Bonds available-for-sale	4,349,356	4,213,550
Equity securities:		
Preferred stocks	38,850	35,717
Common stocks	973,505	934,754
Mortgage loans on real estate, net of allowance	2,429,663	2,229,659
Policy loans	374,391	364,354
Investment real estate, net of accumulated depreciation of $230,932 and $209,115	688,910	635,110
Short-term investments	775,014	636,823
Other invested assets	111,701	94,442
Total investments	17,747,779	16,606,120
Cash	164,829	161,483
Investments in unconsolidated affiliates	166,870	156,809
Accrued investment income	206,069	191,737
Reinsurance ceded receivables	367,179	371,654
Prepaid reinsurance premiums	47,314	53,545
Premiums due and other receivables	301,377	282,865
Deferred policy acquisition costs	1,297,733	1,330,981
Property and equipment, net	81,418	88,705
Current federal income taxes	16,272	29,474
Deferred federal income taxes		5,034
Other assets	146,664	152,722
Separate account assets	739,752	718,378
Assets held-for-sale	12,886	
Total assets	$ 21,296,142	$ 20,149,507
LIABILITIES		
Policyholder funds		
Future policy benefits:		
Life	$ 2,525,389	$ 2,485,886
Annuity	845,186	783,065
Accident and health	92,252	97,407
Policy account balances	10,306,550	9,567,860
Policy and contract claims	1,297,922	1,293,791
Participating policyholder share	174,396	162,794
Other policyholder funds	927,186	919,864

Total policyholder liabilities	16,168,881	15,310,667
Liability for retirement benefits	181,959	180,909
Notes payable	73,052	73,842
Deferred federal income taxes	48,524	
Other liabilities	463,805	393,302
Separate account liabilities	739,752	718,378
Liabilities held-for-sale	1,970	
Total liabilities	17,677,943	16,677,098
STOCKHOLDERS EQUITY		
Common stock, $1.00 par value Authorized 50,000,000, Issued 30,832,449, Outstanding 26,820,166 shares	30,832	30,832
Additional paid-in capital	14,346	11,986
Accumulated other comprehensive income	217,463	117,649
Retained earnings	3,444,993	3,398,492
Treasury stock, at cost, 4,012,283 shares	(98,505)	(98,505)
Total American National stockholders equity	3,609,129	3,460,454
Noncontrolling interest	9,070	11,955
Total stockholders equity	3,618,199	3,472,409
Total liabilities and stockholders equity	$ 21,296,142	$ 20,149,507

See accompanying notes to the 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,	
	2010	**2009**
Common Stock		
Balance at beginning and end of the period	$ 30,832	$ 30,832
Additional Paid-In Capital		
Balance at beginning of the year	11,986	7,552
Issuance of treasury shares as restricted stock		179
Tax benefit on excess restricted stock		439
Amortization of restricted stock	2,360	3,136
Balance as of September 30,	14,346	11,306
Accumulated Other Comprehensive Income		
Balance at beginning of the year	117,649	(221,148)
Change in unrealized gains on marketable securities, net	99,612	377,196
Cumulative effect of change in accounting		(50,411)
Foreign exchange adjustments	69	539
Minimum pension liability adjustment	133	2,654
Balance as of September 30,	217,463	108,830
Retained Earnings		
Balance at beginning of the year	3,398,492	3,414,946
Net income (loss) attributable to American National Insurance Company and Subsidiaries	108,456	(19,350)
Cash dividends to common stockholders ($2.31 and $2.31 per share)	(61,955)	(61,839)
Cumulative effect of change in accounting		50,411
Balance as of September 30,	3,444,993	3,384,168
Treasury Stock		
Balance at beginning of the year	(98,505)	(98,326)
Net issuance of restricted stock		(179)
Balance as of September 30,	(98,505)	(98,505)
Noncontrolling Interest		

Balance at beginning of the year	11,955	8,377
Contributions	843	817
Distributions	(944)	(87)
Gain (loss) attributable to noncontrolling interest	(2,784)	1,044
Balance as of September 30,	9,070	10,151
Total Equity		
Balance as of September 30,	$ 3,618,199	$ 3,446,782

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited and in thousands)

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2010	**2009**	**2010**	**2009**
Net income (loss) attributable to American National Insurance Company and Subsidiaries	$ 47,056	$ 32,700	$ 108,456	$ (19,350)
Other comprehensive income, net of tax				
Change in unrealized gains on marketable securities, net	103,635	171,551	99,612	377,196
Foreign exchange adjustments	137	1,315	69	539
Minimum pension liability adjustment	44	1,091	133	2,654
Total other comprehensive income	103,816	173,957	99,814	380,389
Total other comprehensive income attributable to American National Insurance Company and Subsidiaries	$ 150,872	$ 206,657	$ 208,270	$ 361,039

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)

	Nine Months Ended September 30,	
	2010	2009
OPERATING ACTIVITIES		
Net income (loss) attributable to American National Insurance Company and Subsidiaries	$ 108,456	$ (19,350)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Realized (gains) losses on investments	(59,217)	4,809
Other-than-temporary impairments	6,259	78,335
Amortization of discounts and premiums on bonds	12,353	12,010
Net capitalized interest on policy loans and mortgage loans	(22,737)	(20,705)
Depreciation	37,601	26,774
Interest credited to policy account balances	284,797	275,554
Charges to policy account balances	(138,066)	(133,740)
Deferred federal income tax benefit	(2,764)	(18,029)
Deferral of policy acquisition costs	(370,695)	(351,349)
Amortization of deferred policy acquisition costs	323,880	302,969
Equity in losses of unconsolidated affiliates	115	4,627
Changes in:		
Policyholder funds liabilities	119,524	10,355
Reinsurance ceded receivables	4,475	76,875
Premiums due and other receivables	(21,683)	25,362
Accrued investment income	(14,332)	(1,073)
Current federal income taxes	12,589	49,040
Liability for retirement benefits	1,050	3,312
Prepaid reinsurance premiums	6,231	4,893
Other, net	4,533	24,263
Net cash provided by operating activities	292,369	354,932
INVESTING ACTIVITIES		
Proceeds from sales of:		
Bonds available-for-sale	229,320	33,411
Common stocks	96,528	60,908
Real estate	28,802	4,837
Other invested assets	8,613	
Disposals of property and equipment	751	502
Distributions from unconsolidated affiliates	3,902	9,216
Proceeds from maturity of:		
Bonds available-for-sale	266,753	218,595
Bonds held-to-maturity	314,846	510,477
Principal payments received on:		
Mortgage loans	91,638	94,670
Policy loans	37,734	39,618

Purchases of investments:		
Bonds available-for-sale	(395,588)	(67,584)
Bonds held-to-maturity	(802,600)	(1,128,081)
Common stocks	(99,403)	(20,517)
Real estate	(35,939)	(80,461)
Mortgage loans	(330,497)	(344,470)
Policy loans	(30,114)	(28,207)
Other invested assets	(31,189)	(10,590)
Additions to property and equipment	(7,029)	(11,305)
Contributions to unconsolidated affiliates	(20,882)	(12,663)
Net increase in short-term investments	(138,191)	(355,312)
Other, net	3,136	3,846
Net cash used in investing activities	(809,409)	(1,083,110)
FINANCING ACTIVITIES		
Policyholders deposits to policy account balances	1,342,376	1,771,406
Policyholders withdrawals from policy account balances	(750,417)	(964,490)
Increase (decrease) in notes payable	(790)	10,372
Dividends to stockholders	(61,955)	(61,839)
Net cash provided by financing activities	529,214	755,449
NET INCREASE IN CASH	12,174	27,271
Cash:		
Beginning of the year	161,483	66,096
Cash attributed to assets held-for-sale (See Note 16)	(8,828)	
Balance as of September 30,	$ 164,829	$ 93,367

See accompanying notes to the 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 primarily 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 (i) U.S. generally accepted accounting principles (GAAP) for interim financial information; and (ii) the rules and regulations of the U.S. Securities and Exchange Commission (SEC) for Form 10-Q. In addition to GAAP accounting literature, specific SEC regulation is also applied to the financial statements issued by insurance companies. Investments in unconsolidated affiliates are shown at cost plus equity in undistributed earnings since the dates of acquisition.

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 financial position, statements of operations, cash flows and changes in equity and comprehensive income for the interim periods. These interim consolidated financial statements and notes should be read in conjunction with the annual financial statements and notes thereto included in the Company s Annual Report on Form 10-K as of and for the year ended December 31, 2009. The results of operations for the interim periods should not be considered indicative of results to be expected for the full year.

Certain reclassifications have been made to prior period amounts to conform to the current period presentation. During the first quarter of 2010, American National consolidated two real estate joint ventures that were previously accounted for under the equity method of accounting. This change was due to an increase in American National s investment in the entities, which resulted in a controlling financial interest in the entities and therefore meeting the criteria for consolidation. The consolidation of these two joint ventures did not have a material effect on the interim consolidated financial statements as of September 30, 2010.

The preparation of consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported 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 of investment securities;
- Deferred policy acquisition costs;
- Reserves;
- Reinsurance ceded receivables;
- Pension and postretirement benefit plan liabilities;
- Litigation contingencies; and
- Federal income taxes.

As of September 30, 2010, American National s significant accounting policies and practices remain materially unchanged from those disclosed in Note 2 of Notes to Consolidated Financial Statements incorporated within the Company s 2009 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. 2010-02, Accounting and Reporting for Decreases in Ownership of a Subsidiary A Scope Clarification (ASU 2010-02), which amends ASC 810. ASU 2010-02 changed ASC 810 by excluding some dispositions of not-for-profit activities and assets sales such as in-substance real estate from its scope. This guidance also required expanded disclosures about changes in ownership of subsidiaries. ASU 2010-02 was effective for annual and interim periods that commenced at the beginning of the first reporting period ending after December 15, 2009. Accordingly, this guidance was adopted on January 1, 2010 and did not have a material effect on American National s consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06, Improving Disclosures about Fair Value Measurements (ASU 2010-06), which amends ASC 820 Fair Value Measurements and Disclosures (ASC 820). 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 established by ASC 820; 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 was effective for the Company for interim and annual reporting periods that began after December 15, 2009, except for the disclosure of the reconciliation of the Level 3 activities, which is effective for reporting periods that begin after December 15, 2010. Accordingly, American National adopted this guidance on January 1, 2010, except for the disclosure of the reconciliation of the Level 3 activities, which will be adopted effective January 1, 2011. Other than requiring additional disclosures, the adoption of this guidance on January 1, 2010 did not have a material impact on American National s consolidated financial statements.

In February 2010, the FASB issued ASU No. 2010-09, Subsequent Events (ASU 2010-09), which amends ASC 855 Subsequent Events (ASC 855). ASU 2010-09 amended ASC 855 by removing the requirement for an entity that files or furnishes financial statements with the SEC to disclose a date through which subsequent events have been evaluated in both originally issued and restated financial statements. This ASU removed potential conflicts with the SEC guidance. ASU 2010-09 was effective upon its issuance. Accordingly, this guidance was adopted on February 28, 2010 and did not have a material effect on American National s consolidated financial statements.

Future Adoption of New Accounting Standards

ASU 2010-06 guidance was bifurcated between two effective dates. The disclosure requirement for a reconciliation of Level 3 activities is effective January 1, 2011. Accordingly, this guidance will be adopted on January 1, 2011 and is not expected to have a material effect on American National s consolidated financial statements. Refer to the above discussion on ASU 2010-06 for additional details.

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 (ASU 2010-15), which amends ASC Subtopic 944-80 Financial Services Insurance. 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 ASU also clarifies that for purposes 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 annual periods and interim periods within those annual periods, commencing after December 15, 2010. Early adoption is permitted and guidance will be applied retrospectively to all prior periods upon adoption. Accordingly, this guidance will be adopted on January 1, 2011 and is not expected to have a material effect on American National s consolidated financial statements.

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In July 2010, the FASB issued ASU No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20). This ASU amends ASC Topic 310 - Receivables, related to financing receivables credit quality and credit loss disclosures. 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 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 does not expect the adoption of ASU 2010-20 to materially affect its consolidated financial statements as this guidance only requires additional disclosures.

In October 2010, the FASB issued ASU No. 2010-26, Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts (ASU 2010-26), which amends ASC Topic 944 Financial Services Insurance. The new standard 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 standard also specifies that advertising costs should be deferred only if the capitalization criteria for direct-response advertising under ASC Subtopic 340-20, Other Assets and Deferred Cost , are met. ASU 2010-26 is effective for annual periods and interim periods within those annual periods, commencing after December 15, 2011. Accordingly, this guidance is expected to be adopted by American National on January 1, 2012. American National is currently assessing the effect that ASU 2010-26 will have on its consolidated financial statements.

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4. INVESTMENTS

The cost or amortized cost and estimated fair values of investments in held-to-maturity and available-for-sale securities are shown below (in thousands):

	As of September 30, 2010			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities				
Bonds held-to-maturity:				
U.S. treasury and other U.S. government corporations and agencies	$ 23,147	$ 387	$	$ 23,534
States of the U.S. and political subdivisions of the states	317,886	17,092	(84)	334,894
Foreign governments	29,014	5,894		34,908
Corporate debt securities	6,862,175	637,286	(12,753)	7,486,708
Residential mortgage-backed securities	687,247	42,826	(6,786)	723,287
Commercial mortgage-backed securities	33,931		(22,477)	11,454
Collateralized debt securities	8,748	77	(935)	7,890
Other debt securities	44,241	4,559		48,800
Total bonds held-to-maturity	**8,006,389**	**708,121**	**(43,035)**	**8,671,475**
Bonds available-for-sale:				
U.S. treasury and other U.S. government corporations and agencies	12,280	931	(3)	13,208
States of the U.S. and political subdivisions of the states	573,396	34,544	(9)	607,931
Foreign governments	5,000	2,385		7,385
Corporate debt securities	3,130,368	263,103	(23,930)	3,369,541
Residential mortgage-backed securities	303,645	12,357	(1,835)	314,167
Collateralized debt securities	20,127	1,979	(313)	21,793
Other debt securities	14,204	1,127		15,331
Total bonds available-for-sale	**4,059,020**	**316,426**	**(26,090)**	**4,349,356**
Total debt securities	**12,065,409**	**1,024,547**	**(69,125)**	**13,020,831**
Marketable equity securities				
Common stock:				
Consumer goods	141,355	58,536	(2,499)	197,392
Energy and utilities	121,778	45,554	(1,376)	165,956
Finance	124,043	41,223	(4,365)	160,901
Healthcare	85,325	30,712	(2,276)	113,761
Industrials	64,172	38,671	(318)	102,525

Information technology	113,383		50,509		(959)		162,933
Materials	16,474		11,439		(6)		27,907
Telecommunication services	31,678		10,563		(111)		42,130
Total common stock	**698,208**		**287,207**		**(11,910)**		**973,505**
Preferred stock	33,359		7,033		(1,542)		38,850
Total marketable equity securities	**731,567**		**294,240**		**(13,452)**		**1,012,355**
Total investments in securities	**$ 12,796,976**	**$**	**1,318,787**	**$**	**(82,577)**	**$**	**14,033,186**

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	As of December 31, 2009			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities				
Bonds held-to-maturity:				
U.S. treasury and other U.S. government corporations and agencies	$ 21,222	$ 183	$ (58)	$ 21,347
States of the U.S. and political subdivisions of the states	240,403	8,619	(1,144)	247,878
Foreign governments	28,997	3,606		32,603
Corporate debt securities	6,390,377	327,535	(73,856)	6,644,056
Residential mortgage-backed securities	693,178	24,650	(21,856)	695,972
Commercial mortgage-backed securities	33,128		(23,941)	9,187
Collateralized debt securities	9,627	85	(1,036)	8,676
Other debt securities	44,779	2,009	(31)	46,757
Total bonds held-to-maturity	**7,461,711**	**366,687**	**(121,922)**	**7,706,476**
Bonds available-for-sale:				
U.S. treasury and other U.S. government corporations and agencies	3,438	448		3,886
States of the U.S. and political subdivisions of the states	540,210	18,869	(1,044)	558,035
Foreign governments	5,000	1,188		6,188
Corporate debt securities	3,196,202	126,742	(69,932)	3,253,012
Residential mortgage-backed securities	353,729	8,507	(6,671)	355,565
Collateralized debt securities	23,064	983	(1,553)	22,494
Other debt securities	14,401	225	(256)	14,370
Total bonds available-for-sale	**4,136,044**	**156,962**	**(79,456)**	**4,213,550**
Total debt securities	**11,597,755**	**523,649**	**(201,378)**	**11,920,026**
Marketable equity securities				
Common stock:				
Consumer goods	129,363	47,093	(2,336)	174,120
Energy and utilities	83,284	42,939	(1,453)	124,770
Finance	118,622	40,296	(2,174)	156,744
Healthcare	81,454	29,767	(1,100)	110,121
Industrials	58,900	28,887	(357)	87,430
Information technology	102,171	48,413	(422)	150,162
Materials	17,875	7,317	(22)	25,170
Mutual funds	59,853	6,426	(77)	66,202

Telecommunication services	32,272	8,118	(355)	40,035
Total common stock	**683,794**	**259,256**	**(8,296)**	**934,754**
Preferred stock	35,359	5,269	(4,911)	35,717
Total marketable equity securities	**719,153**	**264,525**	**(13,207)**	**970,471**
Total investments in securities	**$ 12,316,908**	**$ 788,174**	**$ (214,585)**	**$ 12,890,497**

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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. The amortized costs and estimated fair values, by contractual maturity, of debt securities are shown below (in thousands):

	As of September 30, 2010			
	Bonds Held-to-Maturity		Bonds Available-for-Sale	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 281,739	$ 287,030	$ 313,213	$ 318,887
Due after one year through five years	4,058,958	4,394,316	1,850,379	1,980,685
Due after five years through ten years	2,786,005	3,069,275	1,276,897	1,391,888
Due after ten years	873,837	915,929	613,531	653,096
	8,000,539	8,666,550	4,054,020	4,344,556
Without single maturity date	5,850	4,925	5,000	4,800
Total	**$ 8,006,389**	**$ 8,671,475**	**$ 4,059,020**	**$ 4,349,356**

Residential and commercial mortgage-backed securities, which are not due at a single maturity, have been allocated to their respective categories in the table above based on the year of final contractual maturity.

Available-for-sale securities are sold throughout the year for various reasons. Proceeds from the sale of these securities, with the realized gains and losses, are shown below (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Proceeds from sales of available-for-sale securities	$ 120,348	$ 12,958	$ 325,848	$ 94,319
Gross realized gains	8,610	351	31,485	4,890
Gross realized losses	(23)		(1,170)	(11,022)

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

For the nine months ended September 30, 2009, securities with an amortized cost of $230,000 were transferred from held-to-maturity to available-for-sale due to evidence of a significant deterioration in the issuers creditworthiness. An unrealized loss of $136,000 was established at the time of transfer.

All gains and losses were determined using specific identification of the securities sold.

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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 embedded equity derivative. These derivative instruments are not accounted for as hedges under accounting rules. The following tables detail the estimated fair value amounts and the gain or loss on derivatives related to equity indexed annuities (in thousands):

Derivatives Not Designated as Hedging Instruments	Location of Asset (Liability) Reported in the Statements of Financial Position	Estimated Fair Value as of September 30, 2010	Estimated Fair Value as of December 31, 2009
Equity indexed options	Other invested assets	$ 55,359	$ 32,801
Equity indexed annuity embedded derivative	Future policy benefits-Annuity	(49,003)	(22,487)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in the Statements of Operations	Amount of Gain (Loss) Recognized in Income on Derivatives			
		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2010	2009	2010	2009
Equity indexed options	Net investment income	$ 10,554	$ 6,103	$ (1,335)	$ 4,002
Equity indexed annuity embedded derivative	Interest credited to policy account balances	(9,288)	(5,970)	3,623	(6,708)

Unrealized gains (losses) on securities

Unrealized gains (losses) on marketable equity securities and bonds available-for-sale, presented in the stockholders equity section of the consolidated statements of financial position, are net of deferred tax expense of $158,200,000 and $97,521,000 as of September 30, 2010 and 2009, respectively.

The change in the net unrealized gains (losses) on investments are summarized as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Bonds available-for-sale	$ 102,191	$ 232,883	$ 212,830	$ 482,382
Preferred stocks	1,960	3,429	5,133	12,092
Common stocks	103,143	127,667	24,337	219,501
Effect of change in unrealized gains on available-for-sale securities	(40,583)	(90,135)	(80,063)	(193,892)
	166,711	273,844	162,237	520,083
Provision for federal income taxes	58,269	96,493	56,760	181,497
	108,442	177,351	105,477	338,586
	(4,807)	(6,321)	(5,865)	(11,801)

Change in unrealized losses of investments attributable to participating policyholders interest								
Cumulative effect of change in accounting				521				50,411
Total	$	103,635	$	171,551	$	99,612	$	377,196

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Gross unrealized losses on investment securities and the 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 summarized as follows (in thousands):

	As of September 30, 2010					
	Less than 12 months		12 Months or more		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Debt securities						
Bonds held-to-maturity:						
States of the U.S. and political subdivisions of the states	$ 62	$ 10,850	$ 22	$ 917	$ 84	$ 11,767
Corporate debt securities	908	103,735	11,845	219,128	12,753	322,863
Residential mortgage-backed securities	29	4,921	6,757	77,386	6,786	82,307
Commercial mortgage-backed securities			22,477	11,455	22,477	11,455
Collateralized debt securities			935	4,996	935	4,996
Total bonds held-to-maturity	**999**	**119,506**	**42,036**	**313,882**	**43,035**	**433,388**
Bonds available-for-sale:						
U.S. Treasury and other U.S. government corporations and agencies	3	6,044			3	6,044
States of the U.S. and political subdivisions of the states	9	419			9	419
Corporate debt securities	323	45,678	23,607	181,827	23,930	227,505
Residential mortgage-backed securities	240	35,156	1,595	29,587	1,835	64,743
Collateralized debt securities			313	4,909	313	4,909
Total bonds available-for-sale	**575**	**87,297**	**25,515**	**216,323**	**26,090**	**303,620**
Total debt securities	**1,574**	**206,803**	**67,551**	**530,205**	**69,125**	**737,008**
Marketable equity securities						
Common stock:						
Consumer goods	1,020	6,729	1,479	12,765	2,499	19,494
Energy and utilities	1,346	12,069	30	1,052	1,376	13,121
Finance	3,944	24,056	421	2,298	4,365	26,354
Healthcare	1,321	18,915	955	6,849	2,276	25,764
Industrials	230	1,407	88	458	318	1,865
Information technology	942	11,316	17	391	959	11,707
Materials	6	393			6	393
Telecommunications services	93	1,676	18	440	111	2,116

Total common stock	**8,902**	**76,561**	**3,008**	**24,253**	**11,910**	**100,814**
Preferred stock	340	690	1,202	6,298	1,542	6,988
Total marketable equity securities	**9,242**	**77,251**	**4,210**	**30,551**	**13,452**	**107,802**
Total investments in securities	**$ 10,816**	**$ 284,054**	**$ 71,761**	**$ 560,756**	**$ 82,577**	**$ 844,810**

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	As of December 31, 2009					
	Less than 12 months		12 Months or more		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Debt securities						
Bonds held-to-maturity:						
U.S. Treasury and other U.S. government corporations and agencies	$ 58	$ 6,387	$	$	$ 58	$ 6,387
States of the U.S. and political subdivisions of the states	666	24,819	478	5,849	1,144	30,668
Corporate debt securities	12,602	543,459	61,254	700,718	73,856	1,244,177
Residential mortgage-backed securities	445	23,750	21,411	182,315	21,856	206,065
Commercial mortgage-backed securities			23,941	9,187	23,941	9,187
Collateralized debt securities	53	2,844	983	2,310	1,036	5,154
Other debt securities	31	3,428			31	3,428
Total bonds held-to-maturity	**13,855**	**604,687**	**108,067**	**900,379**	**121,922**	**1,505,066**
Bonds available-for-sale:						
States of the U.S. and political subdivisions of the states	520	58,622	524	18,941	1,044	77,563
Corporate debt securities	13,340	318,569	56,592	506,881	69,932	825,450
Residential mortgage-backed securities	2,273	49,066	4,398	36,649	6,671	85,715
Collateralized debt securities	269	1,313	1,284	9,077	1,553	10,390
Other debt securities	256	9,947			256	9,947
Total bonds available-for-sale	**16,658**	**437,517**	**62,798**	**571,548**	**79,456**	**1,009,065**
Total debt securities	**30,513**	**1,042,204**	**170,865**	**1,471,927**	**201,378**	**2,514,131**
Marketable equity securities						
Common stock:						
Consumer goods	837	5,838	1,499	14,900	2,336	20,738
Energy and utilities	296	7,949	1,157	7,006	1,453	14,955
Finance	1,712	29,515	462	3,881	2,174	33,396
Healthcare	464	6,124	636	5,316	1,100	11,440
Industrials	163	2,567	194	1,678	357	4,245
Information technology	358	2,583	64	533	422	3,116

Materials	19	453	3	45	22	498
Mutual funds	77	4,372			77	4,372
Telecommunications services	232	3,188	123	2,542	355	5,730
Total common stock	**4,158**	**62,589**	**4,138**	**35,901**	**8,296**	**98,490**
Preferred stock	21	4,169	4,890	15,210	4,911	19,379
Total marketable equity securities	**4,179**	**66,758**	**9,028**	**51,111**	**13,207**	**117,869**
Total investments in securities	**$ 34,692**	**$ 1,108,962**	**$ 179,893**	**$ 1,523,038**	**$ 214,585**	**$ 2,632,000**

For all investment securities, including those securities in an unrealized loss position for 12 months or more, American National performs a quarterly analysis to determine if an other-than-temporary impairment loss should be recorded for any securities. As of September 30, 2010, the securities with unrealized losses did not meet management s criteria for other-than-temporary impairment. Even though the duration of the unrealized losses on some of the debt 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. Recovery is expected in the near term for equity securities.

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Net investment income and realized investments gains (losses)

Net investment income and realized investments gains (losses) from continuing operations, before federal income taxes are summarized as follows (in thousands):

	Net Investment Income Three Months Ended September 30,		Realized Investments Gains/(Losses) Three Months Ended September 30,		Net Investment Income Nine Months Ended September 30,		Realized Investments Gains/(Losses) Nine Months Ended September 30,	
	2010	2009	2010	2009	2010	2009	2010	2009
Bonds	$ 164,026	$ 160,559	$ 7,631	$ 2,094	$ 489,325	$ 468,289	$ 24,183	$ (1,309)
Preferred stocks	586	547			1,973	2,613	(880)	(1,620)
Common stocks	5,017	5,420	3,869	469	15,758	17,949	14,768	1,692
Mortgage loans	42,901	36,303			124,743	102,612		
Real estate	39,243	35,929	8,814	1,523	100,842	97,994	10,816	1,523
Options	9,339	5,977			(1,658)	4,002		
Other invested assets	11,155	8,620	(1,024)	(7)	30,975	25,579	(1,078)	280
	272,267	253,355	19,290	4,079	761,958	719,038	47,809	566
Investment expenses	(34,186)	(31,163)			(93,994)	(89,158)		
Decrease (Increase) in valuation allowances			2,845	(827)			8,887	(3,334)
Total	**$ 238,081**	**$ 222,192**	**$ 22,135**	**$ 3,252**	**$ 667,964**	**$ 629,880**	**$ 56,696**	**$ (2,768)**

Other-than-temporary impairments

The following table summarizes other-than-temporary impairments (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Bonds	$	$ (4,148)	$	$ (10,046)
Stocks	(1,515)	(39)	(4,265)	(67,789)
Mortgage loans	(1,676)		(1,676)	
Real estate	(318)		(318)	(500)
Total	**$ (3,509)**	**$ (4,187)**	**$ (6,259)**	**$ (78,335)**

Mortgage loans

In general, mortgage loans are secured by first liens on income-producing real estate. The loans are expected to be repaid from the operating cash flows of the properties, proceeds from the sale of real estate, or refinancing by either American National or another mortgage lender at the maturity of the current mortgage loan . During the nine months ended September 30, 2010, total non-cash transactions were $30.5 million. This amount includes one mortgage loan which was foreclosed upon and transferred to real estate investments totaling $2.0 million and one transfer to real estate investments related to a mortgage loan payoff totaling $28.5 million. Non-cash transactions during the twelve months ended December 31, 2009 totaled $24.6 million in foreclosed mortgage loans which were transferred to real estate investments.

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5. 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 quality rating is summarized as follows:

	September 30, 2010	December 31, 2009
AAA	10.4%	11.6%
AA+	1.8	1.6
AA	2.9	2.0
AA-	3.9	4.5
A+	7.2	7.6
A	15.1	14.5
A-	14.9	13.6
BBB+	10.8	13.1
BBB	16.5	16.4
BBB-	8.0	7.7
BB+ and below	8.5	7.4
Total	**100.0%**	**100.0%**

Common stock

American National s common stock portfolio by market sector distribution is summarized as follows:

	September 30, 2010	December 31, 2009
Consumer goods	20.3%	18.6%
Financials	16.5	16.8
Information technology	16.7	16.1
Energy and utilities	17.0	13.3
Healthcare	11.7	11.8
Industrials	10.6	9.3
Communications	4.3	4.3
Mutual funds		7.1
Materials	2.9	2.7
Total	**100.0%**	**100.0%**

Mortgage loans and investment real estate

American National invests 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.

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

	Mortgage Loans		Investment Real Estate	
	September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009
Office buildings	31.1%	31.3%	16.1%	15.1%
Industrial	29.2	28.1	38.0	36.8
Shopping centers	18.5	18.6	16.6	18.7
Hotels and motels	13.8	15.0	1.6	1.8
Other	7.4	7.0	27.7	27.6
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

American National has a diversified portfolio of mortgage loans and real estate properties. Mortgage loans and investment real estate by geographic distribution are as follows:

	Mortgage Loans		Investment Real Estate	
	September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009
West South Central	21.5%	22.4%	59.8%	58.4%
East North Central	21.1	19.8	6.7	7.8
South Atlantic	20.9	20.3	11.3	12.5
Pacific	9.8	9.9	1.7	2.2
Middle Atlantic	6.9	7.8	9.1	10.2
East South Central	6.1	5.9	6.7	7.4
Mountain	6.4	6.3	3.9	0.6
New England	3.4	3.8	0.0	0.0
West North Central	3.9	3.8	0.8	0.9
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of financial instruments are as follows (in thousands):

	As of September 30, 2010		As of December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Fixed maturities				
Held-to-maturity:				
U.S. treasury and other U.S. government corporations and agencies	$ 23,147	$ 23,534	$ 21,222	$ 21,347
States of the U.S. and political subdivisions of the states	317,886	334,894	240,403	247,878
Foreign governments	29,014	34,908	28,997	32,603
Corporate debt securities	6,862,175	7,486,708	6,390,377	6,644,056
Residential mortgage-backed securities	687,247	723,287	693,178	695,972
Commercial mortgage-backed securities	33,931	11,454	33,128	9,187
Collateralized debt securities	8,748	7,890	9,627	8,676
Other debt securities	44,241	48,800	44,779	46,757
Total fixed maturities, held-to-maturity	**8,006,389**	**8,671,475**	**7,461,711**	**7,706,476**
Available-for-sale:				
U.S. treasury and other U.S. government corporations and agencies	13,208	13,208	3,886	3,886
States of the U.S. and political subdivisions of the states	607,931	607,931	558,035	558,035
Foreign governments	7,385	7,385	6,188	6,188
Corporate debt securities	3,369,541	3,369,541	3,253,012	3,253,012
Residential mortgage-backed securities	314,167	314,167	355,565	355,565
Collateralized debt securities	21,793	21,793	22,494	22,494
Other debt securities	15,331	15,331	14,370	14,370
Total fixed maturities, available-for-sale	**4,349,356**	**4,349,356**	**4,213,550**	**4,213,550**
Total fixed maturities	**12,355,745**	**13,020,831**	**11,675,261**	**11,920,026**
Marketable equity securities				
Common stock:				
Consumer goods	197,392	197,392	174,120	174,120
Energy and utilities	165,956	165,956	124,770	124,770
Finance	160,901	160,901	156,744	156,744
Healthcare	113,761	113,761	110,121	110,121
Industrials	102,525	102,525	87,430	87,430
Information technology	162,933	162,933	150,162	150,162
Materials	27,907	27,907	25,170	25,170
Mutual funds			66,202	66,202
Telecommunication services	42,130	42,130	40,035	40,035
Preferred stock	38,850	38,850	35,717	35,717

Total marketable equity securities	**1,012,355**	**1,012,355**	**970,471**	**970,471**
Options	55,359	55,359	32,801	32,801
Mortgage loans on real estate, net of allowance	2,429,663	2,565,943	2,229,659	2,267,157
Policy loans	374,391	374,391	364,354	364,354
Short-term investments	775,014	775,014	636,823	636,823
Total financial assets	**$ 17,002,527**	**$ 17,803,893**	**$ 15,909,369**	**$ 16,191,632**
Financial liabilities:				
Investment contracts	$ 8,319,587	$ 8,319,587	$ 7,828,243	$ 7,828,243
Liability for embedded derivatives of equity indexed annuities	49,003	49,003	22,487	22,487
Notes payable	73,052	73,052	73,842	73,842
Total financial liabilities	**$ 8,441,642**	**$ 8,441,642**	**$ 7,924,572**	**$ 7,924,572**

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

Additionally, American National holds a small amount of fixed maturities that have characteristics that make them unsuitable for matrix pricing. For these fixed 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 are classified in Level 3.

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 held, 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 maturities. These estimates for equity securities are disclosed in Level 2.

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, assuming the companies 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 following tables provide quantitative disclosures regarding fair value hierarchy measurements of our financial assets and liabilities (in thousands):

		Fair Value Measurement as of September 30, 2010 Using:		
	Estimated Fair Value at September 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Debt securities				
Held-to-maturity:				
U.S. treasury and other U.S. government corporations and agencies	$ 23,534	$	$ 23,534	$
States of the U.S. and political subdivisions of the states	334,894		334,639	255
Foreign governments	34,908		34,908	
Corporate debt securities	7,486,708		7,429,149	57,559
Residential mortgage-backed securities	723,287		720,701	2,586
Commercial mortgage-backed securities	11,454		11,454	
Collateralized debt securities	7,890		40	7,850
Other debt securities	48,800		48,800	
Total fixed maturities, held-to-maturity	**8,671,475**		**8,603,225**	**68,250**
Available-for-sale:				
U.S. treasury and other U.S. government corporations and agencies	13,208		13,208	
States of the U.S. and political subdivisions of the states	607,931		605,406	2,525
Foreign governments	7,385		7,385	
Corporate debt securities	3,369,541		3,346,258	23,283
Residential mortgage-backed securities	314,167		314,151	16
Collateralized debt securities	21,793		21,531	262
Other debt securities	15,331		15,331	
Total fixed maturities, available-for-sale	**4,349,356**		**4,323,270**	**26,086**
Total fixed maturities	**13,020,831**		**12,926,495**	**94,336**

Marketable equity securities								
Common stock:								
Consumer goods		197,392		197,392				
Energy and utilities		165,956		165,956				
Finance		160,901		160,901				
Healthcare		113,761		113,761				
Industrials		102,525		102,525				
Information technology		162,933		162,933				
Materials		27,907		27,907				
Mutual funds								
Telecommunication services		42,130		42,130				
Preferred stock		38,850		38,850				
Total marketable equity securities		**1,012,355**		**1,012,355**				
Options		55,359						55,359
Mortgage loans on real estate		2,565,943				2,565,943		
Short-term investments		775,014				775,014		
Total financial assets	**$**	**17,429,502**	**$**	**1,012,355**	**$**	**16,267,452**	**$**	**149,695**
Financial liabilities:								
Liability for embedded derivatives of equity indexed annuities	$	49,003	$		$		$	49,003
Total financial liabilities	**$**	**49,003**	**$**		**$**		**$**	**49,003**

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	Estimated Fair Value at December 31, 2009	Fair Value Measurement as of December 31, 2009 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Debt securities				
Held-to-maturity:				
U.S. treasury and other U.S. government corporations and agencies	$ 21,347	$	$ 21,347	$
States of the U.S. and political subdivisions of the states	247,878		247,878	
Foreign governments	32,603		32,603	
Corporate debt securities	6,644,056		6,635,387	8,669
Residential mortgage-backed securities	695,972		692,702	3,270
Commercial mortgage-backed securities	9,187		9,187	
Collateralized debt securities	8,676		624	8,052
Other debt securities	46,757		46,757	
Total fixed maturities, held-to-maturity	**7,706,476**		**7,686,485**	**19,991**
Available-for-sale:				
U.S. treasury and other U.S. government corporations and agencies	3,886		3,886	
States of the U.S. and political subdivisions of the states	558,035		558,035	
Foreign governments	6,188		6,188	
Corporate debt securities	3,253,012		3,238,004	15,008
Residential mortgage-backed securities	355,565		355,548	17
Collateralized debt securities	22,494		21,138	1,356
Other debt securities	14,370		14,370	
Total fixed maturities, available-for-sale	**4,213,550**		**4,197,169**	**16,381**
Total fixed maturities	**11,920,026**		**11,883,654**	**36,372**
Marketable equity securities				

Common stock:								
Consumer goods		174,120		174,120				
Energy and utilities		124,770		124,770				
Finance		156,744		156,744				
Healthcare		110,121		110,121				
Industrials		87,430		87,430				
Information technology		150,162		150,162				
Materials		25,170		25,170				
Mutual funds		66,202		66,202				
Telecommunication services		40,035		40,035				
Preferred stock		35,717		35,123				594
Total marketable equity securities		**970,471**		**969,877**				**594**
Options		32,801						32,801
Mortgage loans on real estate		2,267,157				2,267,157		
Short-term investments		636,823				636,823		
Total financial assets	**$**	**15,827,278**	**$**	**969,877**	**$**	**14,787,634**	**$**	**69,767**
Financial liabilities:								
Liability for embedded derivatives of equity indexed annuities	$	22,487	$		$		$	22,487
Total financial liabilities	**$**	**22,487**	**$**		**$**		**$**	**22,487**

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For assets and liabilities 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 as follows (in thousands):

	Investment Securities	Other Investments	Total
Beginning balance December 31, 2009	**$ 36,966**	**$ 10,314**	**$ 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 losses	(10)		(10)
Net loss for derivatives included in net investment income		(1,335)	(1,335)
Net fair value change included in interest credited		(26,516)	(26,516)
Purchases and settlements/maturities			
Purchases	65,036	31,141	96,177
Settlements/maturities	(1,472)	(7,248)	(8,720)
Gross transfers into Level 3	5,912		5,912
Gross transfers out of Level 3	(13,100)		(13,100)
Ending balance September 30, 2010	**$ 94,336**	**$ 6,356**	**$ 100,692**

The transfers into Level 3 were the result of existing securities no longer being priced by the third-party pricing service. In accordance with American National s pricing methodology, these securities are being valued using similar techniques as the pricing service; however, the Company-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 now being priced by a third-party service, using inputs that are observable or derived from market data, which resulted in classification of these assets as Level 2.

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

7. DEFERRED POLICY ACQUISITION COSTS

Deferred policy acquisition costs and premiums are summarized as follows (in thousands):

	Life & Annuity	Accident & Health	Property & Casualty	Total
Balance at December 31, 2009	$ 1,114,491	$ 69,853	$ 146,637	$ 1,330,981
Additions	151,660	13,775	205,260	370,695
Amortization	(105,173)	(17,559)	(201,148)	(323,880)
Effect of change in unrealized gains on available-for-sale securities	(80,063)			(80,063)
Net change	(33,576)	(3,784)	4,112	(33,248)
Balance at September 30, 2010	$ 1,080,915	$ 66,069	$ 150,749	$ 1,297,733
Premiums for the nine months ended:				
2010 Premiums	$ 341,810	$ 200,553	$ 871,672	$ 1,414,035
2009 Premiums	$ 360,779	$ 224,001	$ 866,989	$ 1,451,769

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

Acquisitions relate to the purchase of various insurance portfolios under assumption reinsurance agreements. All amounts for the present value of future profits resulting from the acquisition of life insurance portfolios have been accounted for in accordance with ASC 944-20-S99-2, Accounting for Intangible Assets Arising from Insurance Contracts Acquired in a Business Combination, and are immaterial in all periods presented.

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8. LIABILITY FOR UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

Activity in the liability for accident and health and property and casualty unpaid claims and claim adjustment expenses is summarized as shown below (in thousands):

	2010	2009
Balance at January 1,	$ 1,240,287	$ 1,330,380
Less reinsurance recoverables	285,554	386,232
Net beginning balance	**954,733**	**944,148**
Incurred related to:		
Current	914,471	898,253
Prior years	(71,071)	(5,229)
Total incurred	**843,400**	**893,024**
Paid related to:		
Current	530,422	528,289
Prior years	293,702	351,658
Total paid	**824,124**	**879,947**
Net balance	974,009	957,225
Plus reinsurance recoverables	253,605	279,472
Balance at September 30,	**$ 1,227,614**	**$ 1,236,697**

The balances at September 30 are included in policy and contract claims in the consolidated statements of financial position.

The potential uncertainty generated by volatility in loss development profiles is adjusted for 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 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 losses and loss adjustment expenses attributable to insured events of prior years decreased by approximately $71,000,000 in the first nine months of 2010 and $5,000,000 for the same period in 2009.

9. NOTES PAYABLE

At September 30, 2010, and December 31, 2009 American National s real estate holding companies were partners in affiliates that had notes payable to third-party lenders totaling $73,052,000 and $73,842,000, respectively. These notes have interest rates ranging from 5.40% to 7.25% and maturities from 2014 to 2020. Each of these notes is secured by the real estate owned through the respective affiliated entity, and American National s liability for these notes is limited to the amount of its investment in the respective affiliate, which totaled $32,414,000 and $33,265,000 at September 30, 2010 and December 31, 2009, respectively.

10. 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 of the companies to the statutory federal income tax rate is as follows (in thousands, except percentages):

	Three Months Ended September 30,	Nine Months Ended September 30,

	2010		**2009**		**2010**		**2009**	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Income tax (benefit) on pre-tax income	$ 27,872	35.0%	$ 12,213	35.0%	$ 52,435	35.0%	$ (18,313)	35.0%
Tax-exempt investment income	(2,211)	(2.8)	(2,420)	(6.9)	(6,771)	(4.5)	(7,115)	13.6
Dividend exclusion	(636)	(0.8)	(3,730)	(10.7)	(3,485)	(2.3)	(10,140)	19.4
Miscellaneous tax credits, net	(1,766)	(2.2)	(1,520)	(4.4)	(5,344)	(3.6)	(4,706)	9.0
Other items, net	7,998	10.0	(1,365)	(3.9)	7,745	5.2	2,402	(4.6)
	$ 31,257	39.2%	$ 3,178	9.1%	$ 44,580	29.8%	$ (37,872)	72.4%

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The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows (in thousands):

	September 30, 2010	December 31, 2009
DEFERRED TAX ASSETS:		
Marketable securities, principally due to impairment losses	$ 104,822	$ 109,650
Investment in real estate, mortgage loans and other invested assets, principally due to investment valuation allowances and impairment losses	12,763	18,315
Policyholder funds, principally due to policy reserve discount	231,527	211,547
Policyholder funds, principally due to unearned premium reserve	34,010	31,312
Non-qualified pension	29,399	29,109
Participating policyholders surplus	30,513	28,505
Pension	34,271	35,228
Commissions and other expenses	4,389	16,209
Tax carryforwards	23,047	8,666
Other assets	12,601	5,952
Gross deferred tax assets	517,342	494,493
Valuation allowance		(400)
Net deferred tax assets	517,342	494,093
DEFERRED TAX LIABILITIES:		
Marketable securities, principally due to net unrealized gains	(199,642)	(114,861)
Investment in bonds, principally due to accrual of discount on bonds	(16,478)	(13,426)
Deferred policy acquisition costs, due to difference between GAAP and tax amortization methods	(343,821)	(356,014)
Property, plant and equipment, principally due to difference between GAAP and tax depreciation methods	(5,925)	(4,758)
Gross deferred tax liabilities	(565,866)	(489,059)
Total net deferred tax asset (liability)	$ (48,524)	$ 5,034

Management believes that a sufficient level of taxable income will be achieved to utilize the net deferred tax assets of the companies in the consolidated federal tax return. However, if not utilized within the statutory timeframe, American National has approximately $23,047,000 in deferred tax assets resulting from ordinary loss carryforwards that will expire at the end of tax year 2030.

In accordance with ASC 740-10, Accounting for Uncertainty in Income Taxes , American National maintained a reserve for unrecognized tax benefits in 2008. The reserve was removed during 2009 because the tax was fully settled. The change in the reserve is as follows (in thousands):

	September 30, 2010	December 31, 2009
UNCERTAIN TAX POSITIONS:		
Balance at beginning of year	$	$ 1,054

Settlements during the year		(1,054)
Balance at end of period	$	$

American National recognizes interest expense and penalties related to uncertain tax positions. Interest expense and penalties are included in the Other operating costs and expenses line in the consolidated statements of operations. However, no interest expense was incurred as of September 30, 2010 or December 31, 2009. Also, no provision for penalties was established for uncertain tax positions.

Management does not believe that there are any uncertain tax benefits that could be recognized within the next twelve months that would decrease American National s effective tax rate.

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The statute of limitations for the examination of federal income tax returns by the Internal Revenue Service for years 2005 to 2009 has either 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.

The amount of federal income taxes paid was $35.9 million for the nine months ended September 30, 2010, while $71.3 million was refunded for the same period in 2009.

11. COMPONENTS OF COMPREHENSIVE INCOME

The items included in comprehensive income (loss), other than net income (loss), are unrealized gains and losses on available-for-sale securities (net of deferred acquisition costs), foreign exchange adjustments and pension liability adjustments. The details on the unrealized gains and losses included in comprehensive income (loss), and the related tax effects thereon, are as follows (in thousands):

	Before Federal Income Tax	Federal Income Tax Expense	Net of Federal Income Tax
September 30, 2010			
Total holding gains during the period	$ 271,202	$ 94,897	$ 176,305
Reclassification adjustment for net gain realized in net income/(loss)	(28,902)	(10,116)	(18,786)
Unrealized gains on securities	242,300	84,781	157,519
Effect of change in unrealized gains on available-for-sale securities	(80,063)	(28,021)	(52,042)
Unrealized losses on investments attributable to participating policyholders interest	(9,023)	(3,158)	(5,865)
Net unrealized gain component of comprehensive income	**$ 153,214**	**$ 53,602**	**$ 99,612**
September 30, 2009			
Total holding gains during the period	$ 632,829	$ 221,071	$ 411,758
Reclassification adjustment for net gain realized in net income/(loss)	81,146	28,330	52,816
Unrealized gains on securities	713,975	249,401	464,574
Effect of change in unrealized gains on available-for-sale securities	(193,892)	(67,904)	(125,988)
Unrealized losses on investments attributable to participating policyholders interest	(18,155)	(6,354)	(11,801)
Cumulative effect of change in accounting	77,555	27,144	50,411
Net unrealized gain component of comprehensive income	**$ 579,483**	**$ 202,287**	**$ 377,196**

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12. 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 were as follows:

	September 30, 2010	December 31, 2009
Common stock		
Shares issued	30,832,449	30,832,449
Treasury shares	4,012,283	4,012,283
Restricted shares	261,334	261,334
Unrestricted outstanding shares	**26,558,832**	**26,558,832**

Stock-based compensation

American National has one stock-based compensation plan. Under this plan, American National can grant Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Performance Rewards, Incentive Awards and 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.

The plan provides for the award of Restricted Stock. Restricted Stock 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. These awards result in compensation expense to American National over the vesting period. The amount of compensation expense recorded for the three and nine months ended September 30, 2010 was $630,000, and $1,970,000, respectively. For the three and nine months ended September 30, 2009, the compensation expense recorded was $1,536,000 and $3,052,000, respectively.

The plan provides for the award of Stock Appreciation Rights (SAR). The SARs give the holder the right to 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 average of the high and low price on the last trading day of the period to calculate the fair value and compensation expense for SARs. The fair value of the SARs was $6,700 and $1,613,000 at September 30, 2010 and December 31, 2009, respectively. Compensation income was recorded totaling $23,000, and $1,606,000 for the three and nine months ended September 30, 2010, respectively, and for the same period in 2009 the amount of compensation expense recorded was $13,000 and $20,000, respectively.

The plan provides for the award of Restricted Stock Units (RSU). Beginning in 2010, RSUs are awarded as a result of achieving the objectives of a performance based incentive compensation plan. The RSUs generally vest after two years when they will be converted to American National s common stock on a one for one basis. These awards result in compensation expense to American National over the vesting period. Compensation expense was recorded totaling $130,000 and $390,000 for the three and nine months ended September 30, 2010.

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SAR and Restricted Stock (RS) information is as follows:

	SAR Shares	SAR Weighted-Average Price per Share	RS Shares	RS Weighted-Average Price per Share	RS Units	RSU Weighted-Average Price per Share
Outstanding at December 31, 2009	**161,449**	**$ 108.53**	**261,334**	**$ 102.98**		**$**
Granted	1,835	110.83			10,230	109.29
Exercised	(9,633)	95.06			(811)	109.29
Forfeited	(6,800)	113.42				
Expired	(2,500)	90.86				
Outstanding at September 30, 2010	**144,351**	**109.53**	**261,334**	**102.98**	**9,419**	**109.29**

The weighted-average contractual remaining life for the 144,351 SAR shares outstanding as of September 30, 2010, is 4.6 years. The weighted-average exercise price for these shares is $109.53 per share. Of the shares outstanding, 87,353 are exercisable at a weighted-average exercise price of $106.62 per share.

The weighted-average contractual remaining life for the 261,334 Restricted Stock shares outstanding as of September 30, 2010, is 6.1 years. The weighted-average price at the date of grant for these shares is $102.98 per share. None of the shares outstanding was exercisable.

The weighted-average contractual remaining life for the 9,419 Restricted Stock Units authorized as of September 30, 2010, is 1.4 years. The weighted-average price at the date of grant for these units is $109.29 per share. None of the authorized units were exercisable.

Earnings per share

Basic earnings per share was calculated using a weighted average number of shares outstanding of 26,558,832 and 26,518,832 at September 30, 2010 and 2009, respectively. The Restricted Stock resulted in diluted earnings per share as follows for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Weighted average shares outstanding	26,558,832	26,528,832	26,558,832	26,518,832
Incremental shares from restricted stock	119,562	42,536	119,562	
Total shares for diluted calculations	**26,678,394**	**26,571,368**	**26,678,394**	**26,518,832**
Net income (loss) from continuing operations	**$ 47,569,000**	**$ 32,578,000**	**$ 106,968,000**	**$ (18,136,000)**
Net income (loss) from discontinued operations	**(513,000)**	**122,000**	**1,488,000**	**(1,214,000)**
	$ 47,056,000	**$ 32,700,000**	**$ 108,456,000**	**$ (19,350,000)**

Net income (loss) attributable to American National Insurance Company and Subsidiaries								
Basic earnings per share from continued operations	**$**	**1.79**	**$**	**1.23**	**$**	**4.02**	**$**	**(0.68)**
Basic earnings (loss) per share from discontinued operations		**(0.02)**				**0.06**		**(0.05)**
Basic earnings per share	**$**	**1.77**	**$**	**1.23**	**$**	**4.08**	**$**	**(0.73)**
Diluted earnings per share from continued operations	**$**	**1.78**	**$**	**1.23**	**$**	**4.01**	**$**	**(0.68)**
Diluted earnings (loss) per share from discontinued operations		**(0.02)**				**0.06**		**(0.05)**
Diluted earnings per share	**$**	**1.76**	**$**	**1.23**	**$**	**4.07**	**$**	**(0.73)**

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Dividends

American National s payment of dividends to stockholders is restricted by statutory regulations. Generally, 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, as determined on a GAAP basis over that determined on a statutory basis. At September 30, 2010 and December 31, 2009, American National s statutory capital and surplus was $1,883,804,000 and $1,892,467,000, respectively.

Generally, 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 American National from its non-insurance subsidiaries amounted to $2,000,000, and $6,000,000 for the three and nine months ended September 30, 2010, respectively, while no dividends were received during the same period in 2009.

At September 30, 2010, approximately $1,399,352,000 of American National s consolidated stockholders equity represents net assets of its insurance subsidiaries, compared to $1,406,599,000 at December 31, 2009. Any transfer of these net assets to American National would be subject to statutory restrictions and approval.

Noncontrolling interests

American National County Mutual Insurance Company (County Mutual) is a mutual insurance company that is owned by its policyholders. However, County Mutual has a management agreement with American National, 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 interest 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, 2010 and December 31, 2009.

American National s wholly-owned subsidiary, ANTAC, Inc., is a partner in various joint ventures. ANTAC exercises significant control or ownership 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 net liability of $2,320,000 and $5,205,000 at September 30, 2010 and December 31, 2009, respectively.

The accompanying consolidated financial statements are presented in our reporting currency, the U.S. dollar. All material intercompany transactions with consolidated entities have been eliminated.

13. 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, employer medical stop loss, true group, 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 capital not allocated to the insurance lines and the operations of non-insurance lines of business.

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The accounting policies of the segments are the same as those described in the summary of significant accounting policies. 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:

Net investment income from fixed income assets (bonds and mortgage loans) is allocated based on the funds generated by each line of business at the yield available from these fixed income assets at the time such funds become available.

Net investment income from all other assets is allocated to the operating segments in accordance with the amount of equity invested in each segment, with the remainder going to Corporate and Other.

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

Realized gains or losses on investments are allocated to Corporate and Other.

Equity in earnings of unconsolidated affiliates are allocated to Corporate and Other.

Federal income taxes have been applied to the net earnings of each segment based on a fixed tax rate. Any difference between the amount allocated to the segments and the total federal income tax amount is allocated to Corporate and Other.

The following tables summarize American National s key financial measures used by the chief operating decision makers, including operating results for the three and nine months ended September 30, 2010 and 2009 (in thousands):

Three Months Ended September 30, 2010

	Life	**Annuity**	**Health**	**Property & Casualty**	**Corporate & Other**	**TOTAL**
Premiums and Other Revenues:						
Premiums	$ 71,352	$ 51,180	$ 64,288	$ 297,703	$	$ 484,523
Other policy revenues	42,837	3,505				46,342
Net investment income	55,466	136,297	3,590	16,548	26,180	238,081
Other income	996	(3,139)	2,364	2,226	437	2,884
Total operating revenues	**170,651**	**187,843**	**70,242**	**316,477**	**26,617**	**771,830**
Realized gains on investments					18,626	18,626
Total revenues	**170,651**	**187,843**	**70,242**	**316,477**	**45,243**	**790,456**
Benefits, Losses and Expenses:						
Policy benefits	73,402	56,963	43,140	208,893		382,398
Interest credited to policy account balances	16,283	94,564		24		110,871
Commissions for acquiring and servicing policies	23,851	24,795	8,150	63,612		120,408
Other operating costs and expenses	45,229	15,312	10,694	30,758	8,958	110,951

Decrease (increase) in deferred policy acquisition costs	(1,759)	(11,644)	891	(1,294)		(13,806)
Total benefits, losses and expenses	**157,006**	**179,990**	**62,875**	**301,993**	**8,958**	**710,822**
Income from continuing operations before federal income taxes, and equity in losses of unconsolidated affiliates	**$ 13,645**	**$ 7,853**	**$ 7,367**	**$ 14,484**	**$ 36,285**	**$ 79,634**

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Three Months Ended September 30, 2009

	Life	Annuity	Health	Property & Casualty	Corporate & Other	TOTAL
Premiums and Other Revenues:						
Premiums	$ 76,320	$ 58,284	$ 74,428	$ 298,073	$	$ 507,105
Other policy revenues	41,569	3,723				45,292
Net investment income	55,724	118,963	4,031	16,171	27,303	222,192
Other income	948	(2,168)	2,729	856	849	3,214
Total operating revenues	**174,561**	**178,802**	**81,188**	**315,100**	**28,152**	**777,803**
Realized losses on investments					(935)	(935)
Total revenues	**174,561**	**178,802**	**81,188**	**315,100**	**27,217**	**776,868**
Benefits, Losses and Expenses:						
Policy benefits	75,865	63,776	57,217	222,196		419,054
Interest credited to policy account balances	13,932	84,320				98,252
Commissions for acquiring and servicing policies	25,241	21,807	11,226	55,862	8	114,144
Other operating costs and expenses	48,000	14,511	15,267	33,788	13,309	124,875
Decrease (increase) in deferred policy acquisition costs	(177)	(9,650)	423	(4,947)		(14,351)
Total benefits, losses and expenses	**162,861**	**174,764**	**84,133**	**306,899**	**13,317**	**741,974**
Income (loss) from continuing operations before federal income taxes, and equity in losses of unconsolidated affiliates	**$ 11,700**	**$ 4,038**	**$ (2,945)**	**$ 8,201**	**$ 13,900**	**$ 34,894**

Nine Months Ended September 30, 2010

	Life	Annuity	Health	Property & Casualty	Corporate & Other	TOTAL
Premiums and Other Revenues:						
Premiums	$ 209,670	$ 132,140	$ 200,553	$ 871,672	$	$ 1,414,035
Other policy revenues	126,613	11,453				138,066
Net investment income	166,907	367,509	11,273	51,250	71,025	667,964
Other income	2,786	(6,061)	7,654	6,121	2,727	13,227
Total operating revenues	**505,976**	**505,041**	**219,480**	**929,043**	**73,752**	**2,233,292**
Realized gains on investments					50,437	50,437
Total revenues	**505,976**	**505,041**	**219,480**	**929,043**	**124,189**	**2,283,729**
Benefits, Losses and Expenses:						
Policy benefits	220,408	155,100	141,330	702,070		1,218,908
Interest credited to policy account balances	44,277	240,456		64		284,797
Commissions for acquiring and servicing policies	67,513	75,944	27,265	172,460	3	343,185
Other operating costs and expenses	131,604	46,113	35,806	94,028	26,290	333,841
Decrease (increase) in deferred policy acquisition costs	(5,903)	(40,584)	3,784	(4,112)		(46,815)
Total benefits, losses and expenses	**457,899**	**477,029**	**208,185**	**964,510**	**26,293**	**2,133,916**
Income (loss) from continuing operations before federal income taxes, and equity in losses of unconsolidated affiliates	**$ 48,077**	**$ 28,012**	**$ 11,295**	**$ (35,467)**	**$ 97,896**	**$ 149,813**

Nine Months Ended September 30, 2009

	Life	Annuity	Health	Property & Casualty	Corporate & Other	TOTAL

Premiums and Other Revenues:						
Premiums	$ 211,638	$ 149,141	$ 224,001	$ 866,989	$	$ 1,451,769
Other policy revenues	122,420	11,320				133,740
Net investment income	166,510	331,607	12,080	49,941	69,742	629,880
Other income	1,868	295	7,757	5,308	2,305	17,533
Total operating revenues	**502,436**	**492,363**	**243,838**	**922,238**	**72,047**	**2,232,922**
Realized losses on investments					(81,103)	(81,103)
Total revenues	**502,436**	**492,363**	**243,838**	**922,238**	**(9,056)**	**2,151,819**
Benefits, Losses and Expenses:						
Policy benefits	222,131	170,584	178,983	714,041		1,285,739
Interest credited to policy account balances	44,140	231,414				275,554
Commissions for acquiring and servicing policies	68,931	77,790	34,038	160,967	8	341,734
Other operating costs and expenses	138,712	43,794	46,834	93,271	26,883	349,494
Decrease (increase) in deferred policy acquisition costs	152	(41,117)	4,262	(11,677)		(48,380)
Total benefits, losses and expenses	**474,066**	**482,465**	**264,117**	**956,602**	**26,891**	**2,204,141**
Income (loss) from continuing operations before federal income taxes, and equity in losses of unconsolidated affiliates	**$ 28,370**	**$ 9,898**	**$ (20,279)**	**$ (34,364)**	**$ (35,947)**	**$ (52,322)**

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14. COMMITMENTS AND CONTINGENCIES

Commitments

In the ordinary course of operations, American National had commitments outstanding at September 30, 2010, to purchase, expand or improve real estate, to fund mortgage loans, and to purchase other invested assets aggregating $274,091,000, of which $252,008,000 is expected to be funded in 2010. The remaining balance of $22,083,000 is scheduled to be funded in 2011 and beyond. As of September 30, 2010, all of the mortgage loan commitments have interest rates that are fixed.

On September 15, 2010 the Company renewed a 365-day $100,000,000 short-term variable rate borrowing facility containing a $55,000,000 subfeature 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 the Company s working capital requirements. The combination of borrowings and outstanding letters of credit cannot exceed $100,000,000 at any time. As of September 30, 2010 and December 31, 2009 the outstanding letters of credit were $37,076,000 and $36,205,000, respectively, and there were no borrowings on this facility to meet liquidity requirements.

Guarantees

In the normal course of business, 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 loan. However, since the cash value of the life insurance policies always equals or exceeds the balances of the loans, management does not foresee any loss on the guarantees. The total amount of the guarantees outstanding as of September 30, 2010, was approximately $206,513,000, while the total cash values of the related life insurance policies was approximately $209,159,000.

Litigation

As previously reported, American National was a defendant in a lawsuit related to the alleged inducement of another company s insurance agents to become agents of American National (Farm Bureau Life Insurance Company and Farm Bureau Mutual Insurance Company v. American National Insurance Company et al., U.S. District Court for the District of Utah, filed July 23, 2003). Plaintiffs initially alleged that American National improperly induced agents to leave Plaintiffs and join American National, asserting claims against American National for inducing one of Plaintiffs managers to breach duties allegedly owed to Plaintiffs as well as claims against American National for misappropriation of trade secrets, tortious interference with contractual relationships, business disparagement, libel, defamation, civil conspiracy, unjust enrichment and unfair competition. By the time of trial, some claims had been dismissed; however, Plaintiffs surviving claims continued to allege that their damages from the wrongful conduct exceeded $3.9 million, and Plaintiffs also sought punitive damages. The jury reached a verdict adverse to American National, in the total amount of approximately $63.6 million, of which approximately $60.0 million represented punitive damages; however, the court subsequently reduced the punitive damages award, resulting in a total award of approximately $7.1 million against American National. An appeal has been taken to the Tenth Circuit. American National has accrued an appropriate amount for resolution of this case, including attorneys fees, and believes that any additional amounts necessary will not be material to the consolidated financial statements.

As previously reported, American National is a defendant in a putative class action lawsuit wherein the Plaintiff proposes to certify a class of persons who purchased certain American National proprietary deferred annuity products in the State of California (Rand v. American National Insurance Company, U.S. District Court for the Northern District of California, filed February 12, 2009). Plaintiff alleges that American National violated the California Insurance, Business & Professions, Welfare & Institutions, and Civil Codes through its fixed and equity indexed deferred annuity sales and marketing practices by not sufficiently providing proper disclosure notices on the nature of surrender fees, commissions and bonus features and not considering the suitability of the product. Certain claims raised by Plaintiff relate to sales of annuities to the elderly. Plaintiff seeks statutory penalties, restitution, interest, penalties, attorneys fees, punitive damages and rescissionary and/or injunctive relief in an unspecified amount. Discovery in this case is ongoing. If necessary, class certification issues may be briefed and argument heard by the Court in early to mid 2011. In September 2010, the Court granted partial summary judgment for American National due to the nonexistence of certain California Insurance Code violations, and granted partial summary judgment against American National as to whether the Plaintiff received a disclosure notice required by the California Insurance Code. Plaintiff contends that the alleged disclosure violation will support a California Unfair Competition Law claim. American National believes that it has meritorious defenses; however, no prediction can be made as to the probability or remoteness of any recovery against American National.

American National and certain subsidiaries are also defendants in various other lawsuits concerning alleged failure to honor certain loan commitments, alleged breach of certain agency and real estate contracts, various employment matters, allegedly deceptive insurance sales and marketing practices, and other litigation arising in the ordinary course of operations. Certain of these lawsuits include claims for compensatory and punitive damages. After reviewing these matters with legal counsel, 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 or results of operations. However, these lawsuits are in various stages of development, and future facts and circumstances could result in management s changing its conclusions.

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In addition, it should be noted that the frequency of large damage awards, which bear little or no relation to the economic damages incurred by plaintiffs in some jurisdictions, continue to create the potential for an unpredictable judgment in any given lawsuit. 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 the consolidated financial statements.

15. RELATED PARTY TRANSACTIONS

American National has entered into recurring transactions and agreements with certain related parties as a part of its ongoing operations. 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 for the periods indicated, is shown below (in thousands):

		Dollar Amount of Transactions		Amount due from as of	
		Nine Months Ended September 30,		September 30,	December 31,
Related Party	**Financial Statement Line Impacted**	**2010**	**2009**	**2010**	**2009**
Gal-Tex Hotel Corporation	Mortgage loans on real estate	687	639	11,188	11,875
Gal-Tex Hotel Corporation	Net investment income	629	677	68	72
Gal-Tex Hotel Corporation	Other operating costs and expenses	196	215	18	20
Gal-Tex Hotel Corporation	Accident and health premiums	56	44	56	
Moody Insurance Group, Inc.	Commissions for acquiring and servicing policies	2,249	2,328	10	388
Moody Insurance Group, Inc.	Other operating costs and expenses	103	174		
National Western Life Ins. Co.	Accident and health premiums	116	130	17	
National Western Life Ins. Co.	Other operating costs and expenses	925	891		
Moody Foundation	Accident and health premiums	206	219	7	
Greer, Herz and Adams, LLP	Other operating costs and expenses	8,387	6,733	411	370

<u>Information Regarding Related Parties and Transactions</u>

Mortgage Loans to Gal-Tex Hotel Corporation (Gal-Tex): The Moody Foundation and the Libbie Shearn Moody Trust own 34.0% and 50.2%, respectively, of Gal-Tex Hotel Corporation (Gal-Tex). The Moody Foundation and the Libbie Shearn Moody Trust also own approximately 22.9% and 37.1%, respectively, of American National Insurance Company (we or us). As of September 30, 2010, we held a first mortgage loan issued to Gal-Tex secured by hotel property in San Antonio, Texas. This loan was originated in 1999, had a balance of $11,188,000 as of September 30, 2010, has a current interest rate of 7.30%, and has a final maturity date of April 1, 2019. This loan is current as to principal and interest payments. Such loan impacts the Mortgage loans on real estate and Investment income lines of our consolidated financial statements.

Management Contracts with Gal-Tex: We have entered into management contracts with Gal-Tex for the management of a hotel and adjacent fitness center owned by us. Such contracts are terminable by us upon thirty days prior written notice. Payments by us to Gal-Tex pursuant to these management contracts impact the Other operating costs and expenses line of the consolidated financial statements.

Transactions with Moody Insurance Group, Inc.: Robert L. Moody, Jr. (RLM Jr.) is the son of our Chairman and Chief Executive Officer, brother of two of our directors, and he is one of our advisory directors. RLM Jr., mainly through his wholly-owned insurance agency, Moody Insurance Group, Inc. (MIG), has entered into a number of agency agreements with us and some of our subsidiaries in connection with the marketing of insurance products. MIG and we are also parties to a Consulting and Special Marketing Agreement concerning development and marketing of new products. In addition to consulting fees paid under such agreement, compensation also includes dividends on shares of our Restricted Stock granted to MIG as a consultant. Such compensation impacts the Other operating costs and expenses line of our consolidated financial statements.

Health Insurance Contracts with Certain Affiliates: Our Merit Plan is insured by National Western Life Insurance Company (National Western). Robert L. Moody, Sr., our Chairman of the Board and Chief Executive Officer, is also the Chairman of the Board, Chief Executive Officer, and controlling stockholder of National Western. Our Merit Plan is an insured medical plan that supplements our core medical insurance plan for certain officers by providing coverage for co-pays, deductibles, and other out-of-pocket expenses that are not covered by the core medical insurance plan, limited to medical expenses that could be deducted by the recipient for federal income tax purposes. Payments made by us to National Western in connection with the Merit Plan impact the Other costs and expenses line of our consolidated financial statements.

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In addition, we insure substantially similar plans offered by National Western, Gal-Tex, and The Moody Foundation to certain of their officers. We also insure The Moody Foundation s basic health insurance plan. Amounts paid to us by such entities are reflected in the Accident and health premiums line of our consolidated financial statements.
Transactions with Greer, Herz & Adams, L.L.P.: Irwin M. Herz, Jr. is our advisory director and a Partner with Greer, Herz Adams, L.L.P. which serves as our General Counsel. Legal fees and reimbursements of expenses in connection with such firm s services as our General Counsel and for all of our subsidiaries are reflected in the Other operating costs and expenses line of the consolidated financial statements.

16. DISCONTINUED OPERATIONS

In October 2010, the Company entered into an agreement to sell its wholly-owned registered investment advisor and broker-dealer subsidiary, Securities, Management & Research, Inc. (SM&R). American National expects the sale to close in the fourth quarter of 2010 and, accordingly, the results of operations for this subsidiary are presented as discontinued operations in American National s Consolidated Statements of Operations for all periods presented and the aggregated assets and liabilities are presented separately as single line items in the asset and liability sections of the Consolidated Statements of Financial Position at September 30, 2010. Cash flows related to discontinued operations have been combined with cash flows from continuing operations within each category of cash flows. American National recorded a $1.0 million impairment in the third quarter of 2010 as a result of the pending disposal. SM&R had previously been a component of the Corporate and Other reportable segment.
The following table summarizes income (loss) from discontinued operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues:				
Net investment income	$	$ 74	$ 145	$ 246
Realized investments gains (losses)	591		3,521	(2,041)
Other income	1,997	3,405	8,504	10,110
Total Revenues	2,588	3,479	12,170	8,315
Expenses				
Other operating costs and expenses	2,378	3,306	8,928	10,227
Total Expenses	2,378	3,306	8,928	10,227
Income (loss) from discontinued operations	210	173	3,242	(1,912)
Impairment	(1,000)		(1,000)	
Income (loss) from discontinued operations before income tax expense (benefit)	(790)	173	2,242	(1,912)
Income tax expense (benefit)	(277)	51	754	(698)

Income (loss) from discontinued operations, net of tax	$ (513)	$ 122	$ 1,488	$ (1,214)

The following table summarizes assets and liabilities held for sale (in thousands):

	September 30, 2010		December 31, 2009	
Assets:				
Cash	$	8,828	$	
Premiums due and other receivables		3,171		
Other Assets		887		
Total Assets Held-for-Sale	$	12,886	$	
Liabilities				
Deferred federal income tax	$	549	$	
Accrued commissions & other expenses		1,421		
Total Liabilities Held-for-Sale	$	1,970	$	

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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 and nine month periods ended September 30, 2010 and 2009, of American National Insurance Company and its subsidiaries (referred to in this document as we , our , us , or the Company). Such information should be read in conjunction with our consolidated financial statements together with the notes to the consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q.

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Forward-Looking Statements

Certain statements contained herein are forward-looking statements. The forward-looking statements contained herein are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and include estimates and assumptions related to economic, competitive and legislative developments. Forward-looking statements may be identified by words such as expects, intends, anticipates, plans, believes, estimates, will similar meaning; and include, but are not limited to, statements regarding the outlook of our business and financial performance. These forward-looking statements are subject to change and uncertainty, which are, in many instances, beyond our control and have been made based upon our expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with our expectations, or that the effect of future developments on us will be anticipated. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties. There are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements. These factors include among others:

- international economic and financial factors, including the performance and fluctuations of fixed income, equity, real estate, credit capital and other financial markets;
- interest rate fluctuations;
- estimates of our reserves for future policy benefits and claims;
- differences between actual experience regarding mortality, morbidity, persistency, surrender experience, interest rates or market returns, and the assumptions we use in pricing our products, establishing liabilities and reserves or for other purposes;
- changes in our assumptions related to deferred policy acquisition costs, valuation of business acquired or goodwill;
- changes in our claims-paying or credit ratings;
- investment losses and defaults;
- competition in our product lines and for personnel;
- changes in tax law;
- regulatory or legislative changes;
- adverse determinations in litigation or regulatory matters and our exposure to contingent liabilities, including and in connection with our divestiture or winding down of businesses;
- domestic or international military actions, natural or man-made disasters, including terrorist activities or pandemic disease, or other events resulting in catastrophic loss of life;
- ineffectiveness of risk management policies and procedures in identifying, monitoring and managing risks;
- effects of acquisitions, divestitures and restructurings, including possible difficulties in integrating and realizing the projected results of acquisitions;
- changes in statutory or U.S. generally accepted accounting principles (GAAP) practices or policies; and
- changes in assumptions for retirement expense.

We describe these risks and uncertainties in greater detail in Item IA, Risk Factors, in our 2009 Annual Report on Form 10-K filed with the SEC on March 12, 2010. It has never been a matter of corporate policy for us to make specific projections relating to future earnings, and we do not endorse any projections regarding future performance made by others. Additionally, we do not publicly update or revise forward-looking statements based on the outcome of various foreseeable or unforeseeable events.

Overview

American National Insurance Company has more than 100 years of experience. We have maintained our home office in Galveston, Texas since our founding in 1905. Our core businesses are life insurance, annuities, and property and casualty insurance. We also offer pension services and limited health insurance. Within our property and casualty business, we offer insurance for personal lines, agribusiness, and targeted commercial exposures. We provide personalized service to approximately eight million policyholders throughout the United States, the District of Columbia, Puerto Rico, Guam, and American Samoa. Our total assets and stockholders equity as of September 30, 2010 were $21.3 billion and $3.6 billion, respectively, and at December 31, 2009 were $20.1 billion and $3.5 billion, respectively.

General Trends

There were no material changes to the general trends we are experiencing, as discussed in the MD&A included in our 2009 Annual Report on Form 10-K filed with the SEC on March 12, 2010.

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Critical Accounting Estimates

We have prepared unaudited interim consolidated financial statements on the basis of U.S. GAAP. In addition to GAAP accounting literature, insurance companies have to apply specific SEC regulations when preparing the financial statements. The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and their accompanying notes. Actual results could differ from results reported using those estimates.

We have identified the following estimates as critical to our business operations and the understanding of the results of our operations, as they involve a higher degree of judgment and are subject to a significant degree of variability: evaluation of other-than-temporary impairments on securities; deferred policy acquisition costs; reserves; valuation of policyholder liabilities and associated reinsurance recoverables; pension and other postretirement benefit obligations; contingencies relating to corporate litigation and regulatory matters; and federal income taxes.

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 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 be different from those reported in the consolidated financial statements.

For a discussion of the critical accounting estimates, see the MD&A in our 2009 Annual Report on Form 10-K filed with the SEC on March 12, 2010. There were no material changes in accounting policies from December 31, 2009.

Recently Issued Accounting Pronouncements

Refer to Item 1, Note 3 of Notes to the Consolidated Financial Statements for a discussion on Recently Issued Accounting Pronouncements.

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Consolidated Results of Operations

The following is a discussion of our consolidated results of operations. For a discussion of our segment results, see Results of Operations and Related Information by Segment. The following table sets forth the consolidated results of operations (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	**2009**	**Change**	**2010**	**2009**	**Change**
Premiums and other revenues:						
Premiums	$ 484,523	$ 507,105	$ (22,582)	$ 1,414,035	$ 1,451,769	$ (37,734)
Other policy revenues	46,342	45,292	1,050	138,066	133,740	4,326
Net investment income	238,081	222,192	15,889	667,964	629,880	38,084
Realized investments gains (losses), net	18,626	(935)	19,561	50,437	(81,103)	131,540
Other income	2,884	3,214	(330)	13,227	17,533	(4,306)
Total revenues	**790,456**	**776,868**	**13,588**	**2,283,729**	**2,151,819**	**131,910**
Benefits, losses and expenses:						
Policy benefits	382,398	419,054	(36,656)	1,218,908	1,285,739	(66,831)
Interest credited to policy account balances	110,871	98,252	12,619	284,797	275,554	9,243
Commissions	120,408	114,144	6,264	343,185	341,734	1,451
Other operating costs and expenses	110,951	124,875	(13,924)	333,841	349,494	(15,653)
Change in deferred policy acquisition costs [1]	(13,806)	(14,351)	545	(46,815		