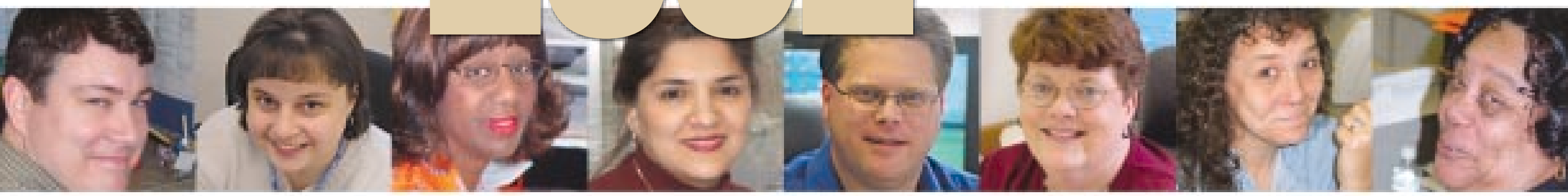
AMERICAN NATIONAL INSURANCE COMPANY 2002 ANNUAL REPORT

2002 annual report

AMERICAN NATIONAL INSURANCE COMPANY

2002 key results



Assets reached $12,139,172,000,

an increase of 7.8% over year-end 2001.

Life insurance sales, measured by the face amount

of life insurance sold, totaled $12,873,835,000,

an increase of 8.9% over the amount sold in 2001.

Life insurance in force totaled $56,503,661,000

at year-end 2002, an increase of 3.8% over year-end 2001.

Dividends are currently paid by American National

at a rate of $2.96 per share.

The year 2002 was the 92nd consecutive year in which

dividends have been paid to stockholders.

The American National family is made up of companies throughout the United States and Mexico. It is also made up of glimpses, poses, and moments in time – the people shown here who are the American National family. The individual portraits in this report represent just some of the people who make the company what it is today. American National is a family of companies, and a family of people, serving the needs of policyholders since 1905.

ROBERT L. MOODY
Chairman of the Board
Chief Executive Officer

G. RICHARD FERDINANDTSEN
President and Chief Operating Officer

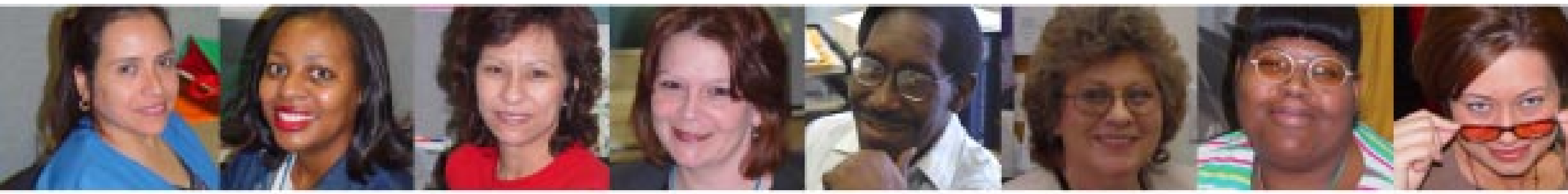
Management Message

The year 2002 was one of recurrent stories of financial troubles and economic downturns worldwide. The adverse impact on individual and corporate investments was major. The insurance industry felt the impact even more so, because of the significant role investments play in every sector of an insurance company.

The gain from operations, adjusted to exclude the after-tax effects of realized investment gains and losses for the year 2002, increased 68%, to $102.1 million, compared with $60.7 million for 2001.

Net income for 2002 was $16.9 million ($0.64 per share), compared with $64.9 million ($2.45 per share) for 2001. Reported after-tax investment losses for 2002 were $85.2 million ($3.22 per share), compared with $4.0 million ($0.16 per share) of after-tax investment gains for 2001. The 2002 after-tax investment losses included $5.6 million of net realized investment gains from the sale of securities taken in the normal course of business, and $90.8 million of other-than-temporary impairments.

Of the $90.8 million in other-than-temporary impairments, $30.9 million resulted from problems encountered by the underlying issuers of the securities. The remainder resulted from a currently accepted interpretation of the accounting rule on other-than-temporary impairments, as set forth by the SEC and the accounting profession, which requires that certain unrealized losses be recognized as realized losses and reported in the income statement. These losses were for marketable equity securities because the market value was less than 80% of cost for a period of six to nine months, and it was anticipated that the cost would not be recovered in the foreseeable future. This is despite the fact that the securities continue to be held by the company, and without regard to general market trends and the ability to hold such securities through market cycles. The impact of these other-than-temporary impairments on marketable equity securities is seen only in the net income figures, since the securities were already valued at market, with the unrealized adjustment reflected in stockholders' equity.



Many of the equity securities on which other-than-temporary impairments were recorded are high quality securities that management still considers sound investments. If, as management anticipates, the market value of some or all of these securities recover, there is no provision in the accounting rule to recoup any subsequent gains through income until the securities are sold.

Management always has, and always will, comply with Generally Accepted Accounting Principles. However, in management's opinion, application of this other-than-temporary impairments accounting rule results in a distortion of normal earning patterns and price-to-earnings ratios.

In addition, since this accounting rule has such a significant adverse impact on the company's net income, there might be some motivation to sell the equities. However, American National will continue to hold these marketable equities, despite the impact of accounting rules, until disposed of under the company's normal investment guidelines.

INSURANCE OPERATIONS

Insurance operations improved in a number of areas in 2002. One of the areas of which management is most proud is the increase in life and annuity sales for the fourth year in a row. The combination of increasing sales and improving profitability demonstrates the company's discipline in the pricing of its products. Each distribution channel has specific products available to match its markets, and the company is achieving greater efficiency by making a variety of products available for market across multiple distribution channels.

The **Multiple Line** segment showed significant improvement in both sales and profitability. While mold problems in Texas did negatively impact the earnings of Multiple Line property and casualty operations, policy form changes and rate increases have brought the losses attributable to mold under control. Aggressive rate increase filings across the country, as well as steps taken toward improving underwriting and expense ratios, improved the property and casualty combined ratios during 2002. Property and casualty operations should return to historical profit levels in 2003.

During 2002, Multiple Line operations increased its emphasis on the sale of life insurance. Steps taken included management's encouragement of agent achievement of Million Dollar Round Table status and the adoption of new selling systems. These efforts resulted in an increase in life sales in 2002. During the first months of 2003, Multiple Line life sales have gained even more momentum.

The integration of the Farm Family companies continued to contribute positively to earnings. The expansion of Farm Family agribusiness products to the remainder of the Multiple Line distribution system offers the potential for significant growth in recruiting and marketing for this division.

planning services. These products and services provide an important competitive advantage and serve as a point of differentiation for American National in a crowded independent market arena. Management views this distinction as an excellent way to establish relations with independent distributors. Additionally, Independent Marketing's pension plan portfolio and pension planning services are available for marketing by other American National distribution channels.

Increases have begun to occur in the sale of single premium life products and specialized salary deduction programs primarily associated with employees of not-for-profit entities. While the growth of life sales in Independent Marketing is still not at target levels, continued expansion of life sales is a focus throughout the company, and particularly in this segment.

The **Home Service** segment continues to perform well in its domestic operations, while at the same time continuing to grow its operation in Mexico. With domestic operations already established as a dominant force, the company is showing its commitment to the future of the Home Service division by making a significant investment in upgraded technology to support field operations.

Home Service activities in Mexico during 2002 were concentrated on refining its business model. While the costs associated with the start-up operation still exceed revenues, substantial improvements are expected over the next several years. With limited direct competition, management continues to see tremendous opportunity for growth in this large market.

Independent Marketing operations had a gratifying year in a number of areas. Annuity sales continued to grow substantially, with sales increases coming from a variety of sources. Small pension sales grew dramatically as well. American National continues to be one of the few players in this market providing both a pension plan portfolio and pension

Direct Marketing ended 2002 with its third straight year of substantial increases in sales. Life sales were up 33.1% over 2001, measured on an annualized premium basis. A steady stream of new initiatives has maintained sales momentum, and has allowed Direct Marketing to diversify its sources of business.

The use of the Internet for direct sales of life insurance products, particularly term life products, is growing. In 2003, Direct Marketing will continue to expand its Internet capabilities. The goal is to provide true "end-to-end" sales and service capabilities for those customers who prefer to conduct business via the Internet.

Senior Age Marketing continues to maintain its place in the industry as one of the leading providers of Medicare Supplement insurance policies. While health sales have been scaled back in other segments of the market, the company feels that the Medicare Supplement market can be maintained on a profitable basis. Rate increases have been implemented without affecting sales growth. New and revised products are being prepared for introduction in 2003. Changes in life and annuity products during 2002 set the stage for profitable growth in these lines.

The **Credit Insurance Division** continued to expand beyond its traditionally strong auto and bank markets. New property and casualty products broadened the Credit Insurance Division's portfolio in all of the traditional credit insurance markets. The product portfolio will be expanded further in 2003, as the credit insurance industry moves away from traditional credit life and disability products, and toward a greater emphasis on property and casualty products.

The **Health Division** had a profitable year, a result of the continuing effort to focus on profitable segments of the market. While this has caused the company to withdraw from certain markets, the remaining markets are expected to be profitable.

The terrorist attacks of 9-11 had a significant impact on the division's profitability in 2001. While claims from the 9-11 events are expected for a number of years, the estimates of cost to the company made in 2001 continue to be appropriate.

STRENGTHS

A significant measure of a company's strength is its ratio of assets to liabilities. At year-end 2002, American National had more than $131 in GAAP consolidated assets for every $100 in liabilities, one of the highest such ratios among the nation's largest life insurers.

The wide margin of assets over liabilities inspires confidence among policyholders and agents in American National's ability to meet its obligations. It also allows the company a greater degree of flexibility as it pursues other avenues of growth.

RATINGS

Ratings agencies continue to view American National very favorably.

A.M. Best Company, an independent analyst of the insurance industry since 1899, rates American National A+ (Superior), the second out of 16 ratings. Best's ratings are assigned after an extensive analysis, using a series of profitability, leverage and liquidity tests that measure performance in such vital areas as competency of underwriting, control of expenses, adequacy of reserves, soundness of investments, capital sufficiency and asset management programs.

Standard and Poor's has assigned its AA (Very Strong) rating to American National. In its rating analysis, Standard and Poor's makes reference to the company's extremely strong capitalization and operating performance, very strong liquidity and strong market position.

LOOKING AHEAD

The American National family of companies has relied on specific core values since its founding nearly one hundred years ago.

These values are summarized in the eight guiding principles used by management to create a roadmap for the future:

- Growing sales while maintaining financial strength
- Enhancing product offerings through innovative and sound product development
- Maintaining high market conduct and compliance standards
- Managing the risk exposure of the company
- Investing in assets to maximize return to shareholders
- Providing cost-effective service that gains customer loyalty
- Aligning technology infrastructure to support the company's broad range of activities
- Managing expenses to be consistent with product pricing allowables.

The diversity of operations, coupled with sound business practices, support the historically strong shareholder value of American National. With such a history, even in today's uncertain business climate, it is management's belief that the future financial strength of the company is safe and secure in the hands of the people and affiliates who represent the American National family.

American National

CONSOLIDATED OPERATIONS

The American National family of companies offers a broad line of insurance coverages, including individual and group life, health and annuities, personal lines property and casualty, and credit insurance. It also offers a variety of other financial products, including mutual funds, variable life insurance and variable annuities.

The American National family of companies includes life insurers, property and casualty insurers and some significant non-insurance enterprises.

THE LIFE INSURERS INCLUDE:

- American National Insurance Company
- American National Life Insurance Company of Texas (ANTEX)
- Standard Life and Accident Insurance Company (Standard)
- Garden State Life Insurance Company (Garden State)
- American National Compañía de Seguros de Vida (ANMEX)
- Farm Family Life Insurance Company (Farm Family Life)

THE PROPERTY AND CASUALTY INSURERS INCLUDE:

- American National Property and Casualty Company (ANPAC)
- American National General Insurance Company (ANGIC)
- Pacific Property and Casualty Company
- ANPAC Louisiana Insurance Company
- American National Lloyds Insurance Company (ANPAC LLOYDS)
- Farm Family Casualty Insurance Company
- United Farm Family Insurance Company

OTHER OPERATIONS

The non-insurance enterprises include several real estate investment companies, a securities broker dealer and numerous joint ventures. The most significant non-insurance companies are:

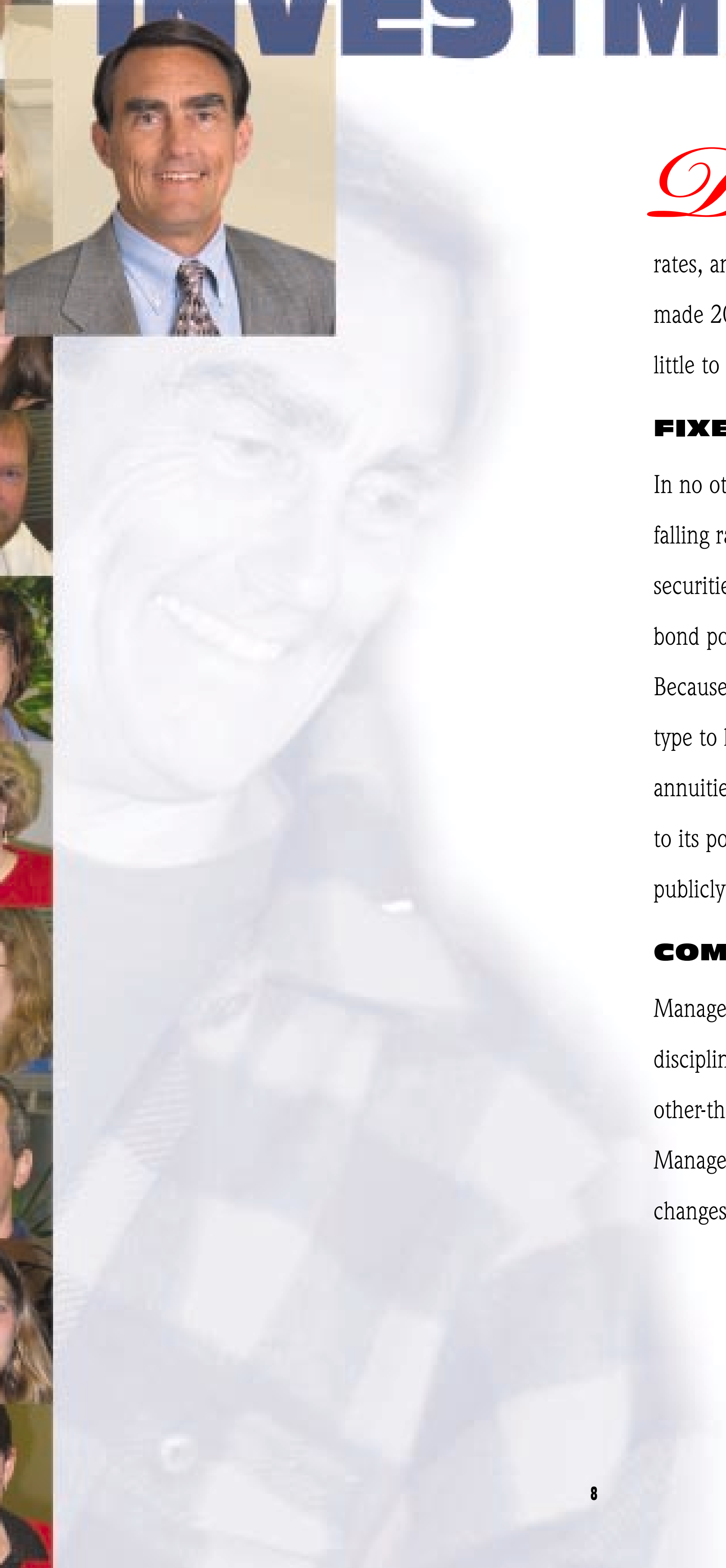
- Securities Management and Research, Inc. (SM&R)
- Comprehensive Investment Services (CIS)

The American National family of companies conducts business in all 50 states, the District of Columbia, Puerto Rico, and American Samoa. American National Insurance Company is authorized to sell its products to American military personnel in Western Europe. Through its subsidiary, American National Compañía de Seguros de Vida, American National is authorized to sell its products in Mexico.

American National's internal business units are organized by marketing segment. Each marketing segment represents a separate distribution channel that American National uses to sell its products. All results are presented by marketing segment.

2002
Gain before allocations
Life and health companies
American National
Other life and health companies
Property and casualty companies
Non-insurance companies
Consolidating adjustments
Total gain before allocations
Earnings of unconsolidated affiliates
Allocated federal income taxes
Gain from operations after tax
After-tax realized gains (losses)
Net income (loss)
2001
Gain before allocations
Life and health companies
American National
Other life and health companies
Property and casualty companies
Non-insurance companies
Consolidating adjustments
Total gain before allocations
Earnings of unconsolidated affiliates
Allocated federal income taxes
Gain from operations after tax
After-tax realized gains (losses)
Net income (loss)

TOTAL	CAPITAL & SURPLUS	MULTIPLE LINE	HOME SERVICE DIVISION	INDEPENDENT MARKETING	HEALTH DIVISION	CREDIT INSURANCE DIVISION	SENIOR AGE MARKETING	DIRECT MARKETING	OTHER OPERATIONS
$ 169,188	$ 73,021	$ 17,716	$ 41,963	$ 7,617	$ 4,652	$ 15,094	$ —	$ —	$ 9,125
33,164	15,723	13,173	(9,695)	—	4,528	(9)	6,903	2,164	377
22,731	6,916	15,815	—	—	—	—	—	—	—
(59,409)	(50,460)	—	—	—	—	—	—	—	(8,949)
315	1,719	(433)	—	—	—	—	(777)	(58)	(136)
165,989	46,919	46,271	32,268	7,617	9,180	15,085	6,126	2,106	417
(8,059)	(6,534)	—	—	—	—	—	—	—	(1,525)
(55,863)	(17,073)	(15,269)	(10,648)	(2,514)	(3,029)	(4,978)	(2,022)	(695)	365
102,067	23,312	31,002	21,620	5,103	6,151	10,107	4,104	1,411	(743)
(85,212)	(85,212)	—	—	—	—	—	—	—	—
$ 16,855	$ (61,900)	$ 31,002	$ 21,620	$ 5,103	$ 6,151	$ 10,107	$ 4,104	$ 1,411	$ (743)
$ 148,483	$ 92,481	$ 4,221	$ 49,591	$ 4,040	$ (23,528)	$ 12,007	$ —	$ —	$ 9,671
11,157	15,035	3,578	(11,085)	—	6,146	—	(7,135)	4,357	261
(2,626)	5,786	(8,412)	—	—	—	—	—	—	—
(49,607)	(45,584)	—	—	—	—	—	—	—	(4,023)
(2,779)	(1,765)	(391)	—	—	—	—	(447)	(53)	(123)
104,628	65,953	(1,004)	38,506	4,040	(17,382)	12,007	(7,582)	4,304	5,786
(6,054)	(8,345)	—	—	—	—	—	—	—	2,291
(37,854)	(24,335)	331	(12,707)	(1,333)	5,736	(3,962)	2,502	(1,420)	(2,666)
60,720	33,273	(673)	25,799	2,707	(11,646)	8,045	(5,080)	2,884	5,411
4,211	4,211	—	—	—	—	—	—	—	—
$ 64,931	$ 37,484	$ (673)	$ 25,799	$ 2,707	$ (11,646)	$ 8,045	$ (5,080)	$ 2,884	$ 5,411



INVESTMENTS

Deteriorating credit quality, falling interest rates, an uncertain economy, and the threat of war made 2002 a challenging year for investors. There is little to suggest these trends are about to change.

FIXED MATURITY SECURITIES

In no other investment category did credit quality and falling rates have a greater impact than in fixed income securities. In spite of the challenges, the company's bond portfolio remains over 91% investment grade. Because fixed income securities are the primary asset type to back insurance liabilities, the increased sale of annuities resulted in the company's adding substantially to its portfolio of fixed maturity securities, principally publicly traded bonds.

COMMON STOCK PORTFOLIO

Management has confidence in its conservative, disciplined approach to the equity market. Despite the other-than-temporary impairments discussed in the Management Message, the company does not plan changes in its investment approach.

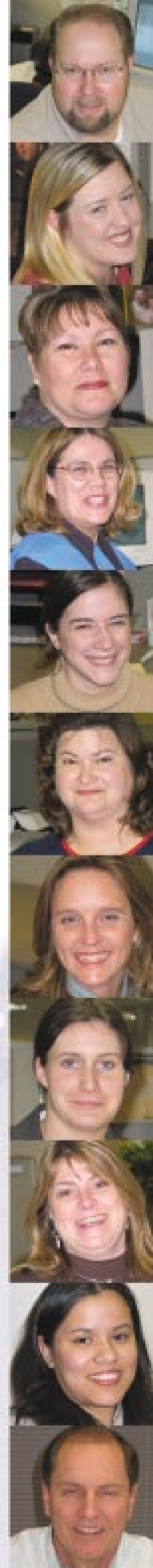
MORTGAGE LOANS

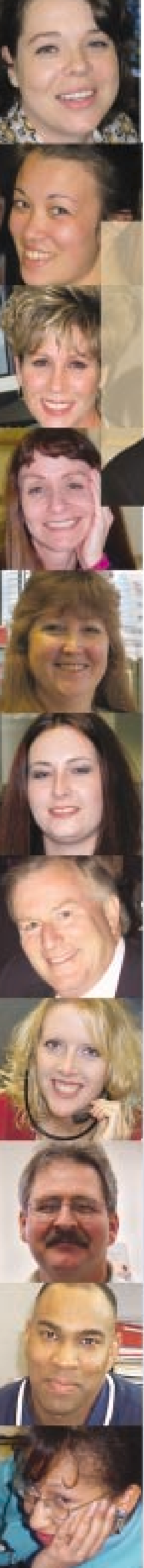
The company's investment in mortgage loans increased slightly in 2002, despite increased payoffs as a result of falling interest rates. While the portfolio rate of return naturally fell, it remained an attractive 8.31% at year-end.

The delinquency rate remained at the historically low levels established between 1999 and 2001. At the end of 2002, delinquencies were still less than 1% of the portfolio. The company continues to maintain its high underwriting standards in the face of increased competition for mortgage loan business.

ASSET/LIABILITY MANAGEMENT

With today's complex insurance products, asset/liability management has become even more critical to the company's long-term success. In order to ensure adequate liquidity, American National has a program to balance the duration of assets and liabilities within the framework of desired return on investment. The program evaluates American National's investment position for each major product type, using cash flow testing, monthly review of crediting rates (both new issue and renewal), and periodic review of product pricing assumptions and product design features. Portfolios of segregated assets are maintained to provide empirical support for asset/liability management.





MULTIPLE LINE

Multiple Line's exclusive agent force has a reputation for individual expertise, building professional relationships with clients, and providing an outstanding package of value to families at all income levels.

2002 RESULTS

Net success. Overall, 2002 showed marked improvement for Multiple Line, producing a net income of $31 million, compared with a loss in 2001 of $673 thousand.

Outpacing the industry. While significant losses due to mold claims, principally in Texas, had an adverse impact on property and casualty returns for the second straight year, the combined ratio for Multiple Line in 2002 was 103.7%, an improvement from 106.8% reported for the previous year. Multiple Line's combined ratio outperformed industry averages, which were 105.7% in 2002 and 112.5% in 2001.

Life sales. Life sales were up 10.3% in Multiple Line, measured by annualized premium. This increase from the previous year's 3.5% growth rate is attributable to the renewed emphasis on life sales in the Multiple Line division.

LOOKING AHEAD

Multiple Line continues to excel in its core competencies of tri-line sales, client persistency, expense efficiency and loss control. In all of these key areas, Multiple Line ranks among the best in the industry.

Cross-marketing products between companies, and cross-marketing value to customers in the form of multiple policy discounts, is characteristic of Multiple Line's total value approach. In 2003, Farm Family's

TWO-YEAR FINANCIAL COMPARISON (In thousands)

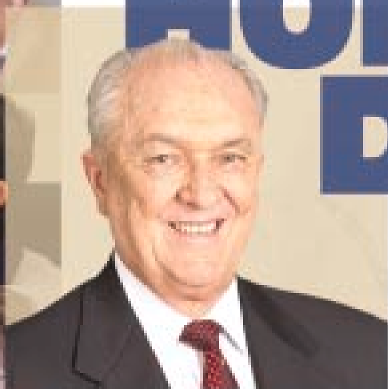
	LIFE	ANNUITY	ACCIDENT & HEALTH	PROPERTY & CASUALTY	TOTAL
2002 Financial Results					
Premiums and other policy revenues	$ 123,118	$ 5,209	$ 16,045	$ 847,922	$ 992,294
Net investment income	81,348	31,427	2,727	49,903	165,405
Expenses and benefits	(172,370)	(34,478)	(22,137)	(882,443)	(1,111,428)
Pre-tax gain from operations	32,096	2,158	(3,365)	15,382	46,271
Allocated federal income taxes	(10,591)	(712)	1,110	(5,076)	(15,269)
Net income	$ 21,505	$ 1,446	$ (2,255)	$ 10,306	$ 31,002
2002 Statistical Data					
Life insurance in force	$ 25,073,648	$ —	$ —	$ —	$ 25,073,648
Paid annualized premium from new sales	20,870	44,957	385	—	66,212
Net written premiums	—	—	—	915,465	915,465
Policy account deposits	95,343	58,282	—	—	153,625
Earned premium income	61,264	3,155	16,026	843,775	924,220
Other policy revenues	61,248	1,435	—	—	62,683
2001 Financial Results					
Premiums and other policy revenues	$ 107,502	$ 4,900	$ 16,793	$ 658,236	$ 787,431
Net investment income	72,577	26,906	1,960	43,188	144,631
Expenses and benefits	(159,364)	(29,524)	(33,951)	(710,227)	(933,066)
Pre-tax gain from operations	20,715	2,282	(15,198)	(8,803)	(1,004)
Allocated federal income taxes	(6,836)	(753)	5,015	2,905	331
Net income	$ 13,879	$ 1,529	$ (10,183)	$ (5,898)	$ (673)
2001 Statistical Data					
Life insurance in force	$ 23,226,620	$ —	$ —	$ —	$ 23,226,620
Paid annualized premium from new sales	18,874	34,013	686	—	53,573
Net written premiums	—	—	—	768,137	768,137
Policy account deposits	90,777	39,450	—	—	130,227
Earned premium income	52,175	3,225	16,779	657,406	729,585
Other policy revenues	55,230	1,652	—	—	56,882

agribusiness portfolio will be introduced in 20 ANPAC states. Also, the recently introduced *Benefits Xpress Employee Services*™ product, which provides personal lines insurance benefits through employers, has already attracted over 350 employers.

Improved agent service will be a priority in 2003. Home office personnel, dedicated to new agents and to Million Dollar Round Table agents, will make doing business with the company easier.

Clients get lots of tlc

Tri-Line Coverage (TLC®) discounts are available to policyholders who have home, auto and life insurance coverage with Multiple Line. Currently, 18% of policyholders take advantage of TLC discounts, the second highest percentage of customers among multiple line insurers in the U.S. TLC discounts are a hallmark of Multiple Line's value and its dedication to serving total client needs.



HOME SERVICE DIVISION

American National's Home Service Division markets insurance products to moderate-income households in the United States and Mexico.

2002 RESULTS

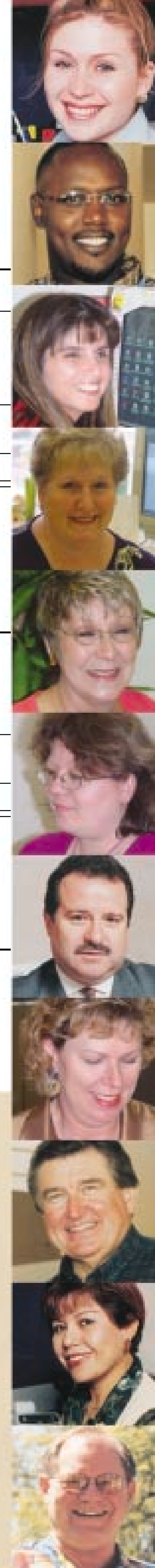
Investments in technology. Net income for the year was $21.6 million, down from the previous year's results. The primary factors contributing to the decline in net income were substantial investments in technology infrastructure and increases in underwriting requirements. These investments are expected to provide future benefits.

Investments in Mexico. While there was a loss of $9.3 million in Mexico as operations continue to develop, premium income grew 86% in 2002.

LOOKING AHEAD

Field office automation projects are ongoing endeavors, encompassing every aspect of the Home Service organization. The goal is to increase operational efficiency and improve customer service by providing field operations with the latest, most cost- effective technology possible.

One key automation project that should be completed in 2003 is the consolidated bank account program. When fully implemented, this will allow collections to be transmitted electronically to the company's central bank, resulting in significant time



TWO-YEAR FINANCIAL COMPARISON (In thousands)

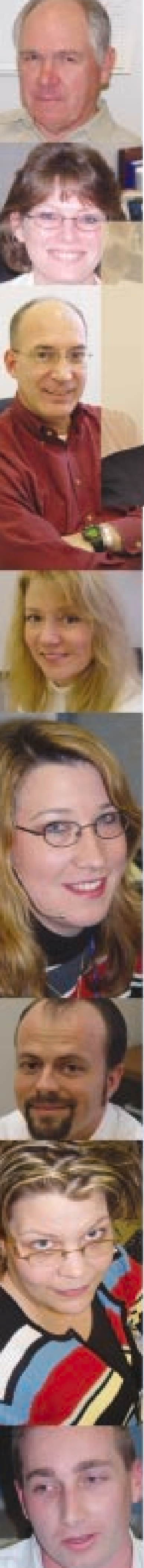
	LIFE	ANNUITY	ACCIDENT & HEALTH	TOTAL
2002 Financial Results				
Premiums and other policy revenues	$ 201,921	$ 1,465	$ 9,604	$ 212,990
Net investment income	108,611	3,894	1,077	113,582
Expenses and benefits	(277,512)	(5,649)	(11,143)	(294,304)
Pre-tax gain from operations	33,020	(290)	(462)	32,268
Allocated federal income taxes	(10,896)	96	152	(10,648)
Net income	$ 22,124	$ (194)	$ (310)	$ 21,620
2002 Statistical Data				
Life insurance in force	$ 14,482,916	$ —	$ —	$ 14,482,916
Paid annualized premium from new sales	42,494	5,255	2,066	49,815
Policy account deposits	22,672	5,062	—	27,734
Earned premium income	184,283	1,328	9,604	195,215
Other policy revenues	17,603	138	—	17,741
2001 Financial Results				
Premiums and other policy revenues	$ 202,416	$ 465	$ 9,463	$ 212,344
Net investment income	108,549	3,835	1,000	113,384
Expenses and benefits	(272,785)	(4,569)	(9,868)	(287,222)
Pre-tax gain from operations	38,180	(269)	595	38,506
Allocated federal income taxes	(12,600)	89	(196)	(12,707)
Net income	$ 25,580	$ (180)	$ 399	$ 25,799
2001 Statistical Data				
Life insurance in force	$ 14,340,171	$ —	$ —	$ 14,340,171
Paid annualized premium from new sales	39,395	3,872	2,562	45,829
Policy account deposits	23,128	4,740	—	27,868
Earned premium income	182,753	306	9,463	192,522
Other policy revenues	19,640	159	—	19,799

and cost savings at the district office level.

A Home Service call center is under development. Once implemented, the call center should result in improved service to district managers, assisting them in operating their offices more efficiently. The goal is to minimize problem resolution time, allowing agents to maximize time spent in the field serving client needs. The call center should be operative during the first quarter of 2003.

A strong future

In the United States, industry consolidation is reducing competition in the home service marketplace. The future is strong for American National's domestic home service operations. And international expansion in Mexico promises exciting prospects in a virtually untapped home service market.



INDEPENDENT MARKETING

Combining a strategy of innovative product design with leading edge technology initiatives, and driven by cross-marketing opportunities of its diverse distribution channels, Independent Marketing has become a leader in the independent distributor marketplace.

2002 RESULTS

Annuities sales growth. Annuity sales were up 63% in 2002, to $637 million. This was driven by an excellent year in the fixed annuities market and strong results within all distribution channels.

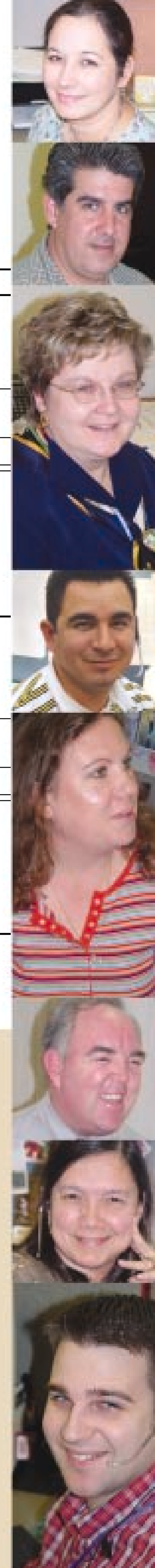
Life premiums. Life earned premium and policy account deposits increased 84%, to $103 million. Total earned premiums and policy account deposits within this segment increased 66%, to $749 million.

Substantial gains. Despite the challenges presented by a sluggish economy, net income was $5.1 million, up 89% from 2001.

LOOKING AHEAD

Independent Marketing will continue to expand its distribution through financial institutions, strategic alliances, large marketing companies, employee benefit firms, broker dealers, and independent agents.

Already recognized as an industry leader in small business pension marketing and sales, Independent Marketing intends to enhance its market share by capitalizing on the exciting



TWO-YEAR FINANCIAL COMPARISON (In thousands)

	LIFE	ANNUITY	TOTAL
2002 Financial Results			
Premiums and other policy revenues	$ 13,857	$ 34,395	$ 48,252
Net investment income	18,576	123,260	141,836
Expenses and benefits	(34,013)	(148,458)	(182,471)
Pre-tax gain from operations	(1,580)	9,197	7,617
Allocated federal income taxes	521	(3,035)	(2,514)
Net income	$ (1,059)	$ 6,162	$ 5,103
2002 Statistical Data			
Life insurance in force	$ 2,508,075	$ —	$ 2,508,075
Paid annualized premium from new sales	15,466	636,768	652,234
Policy account deposits	100,543	617,609	718,152
Earned premium income	3,050	27,485	30,535
Other policy revenues	10,806	6,722	17,528
2001 Financial Results			
Premiums and other policy revenues	$ 9,317	$ 40,728	$ 50,045
Net investment income	11,632	99,537	111,169
Expenses and benefits	(24,990)	(132,184)	(157,174)
Pre-tax gain from operations	(4,041)	8,081	4,040
Allocated federal income taxes	1,334	(2,667)	(1,333)
Net income	$ (2,707)	$ 5,414	$ 2,707
2001 Statistical Data			
Life insurance in force	$ 1,848,328	$ —	$ 1,848,328
Paid annualized premium from new sales	10,267	388,850	399,117
Policy account deposits	56,300	364,422	420,722
Earned premium income	(107)	30,797	30,690
Other policy revenues	9,425	9,938	19,363

opportunities arising from recent changes in laws related to pension plans within the small business retirement plan market.

A multi-trillion dollar intergenerational wealth transfer – from the World War II generation to its baby boomer children – is in its early stages. This is a dramatically growing market for insurance and financial services. Independent Marketing will seek to capture a share of this growth market with innovative product design and new marketing concepts.

Rising above the crowd

Independent Marketing's goal is to exceed its distribution partners' expectations – before, during and after the sale. Independent Marketing is committed to doing this by offering innovative products, services, concepts, and technology. Independent Marketing realizes its distribution channels have a choice with whom they do business, and works hard to earn their business every day.

HEALTH DIVISION

Through controlled and independent distributors, American National's Health Division sells its products to employers, associations and individuals.

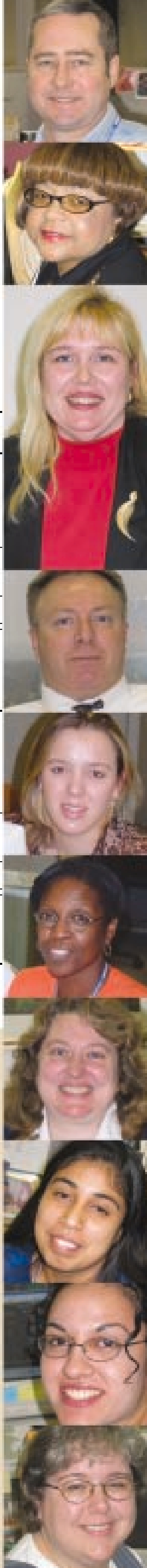
2002 RESULTS

A dramatic turnaround. Net income in 2002 was $6.2 million, a vast improvement over last year's $11.6 million loss. While some lines of business continue to produce losses, each product continues to be reviewed and changes made to further improve profitability.

LOOKING AHEAD

American National will satisfy its regulatory requirements under the Health Insurance Portability & Accountability Act of 1996 (HIPAA) that are to be made effective during 2003. This act establishes federal standards for the electronic transmission and privacy of health information. A benefit of HIPAA implementation will be increased claims processing efficiency by increasing the volume of electronically processed claims.

The Health Division's primary goal for 2003 is improving operating efficiency. Two major thrusts in this effort are increasing earned premium in home office-administered business and reducing home office expenses.

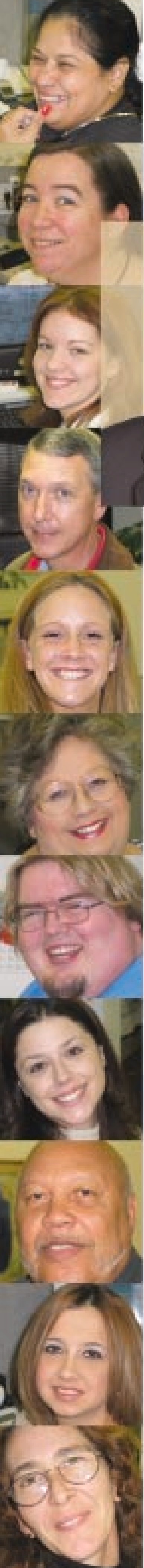


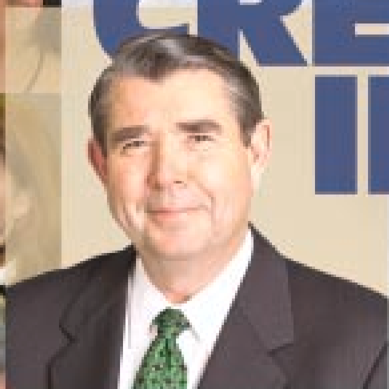
TWO-YEAR FINANCIAL COMPARISON (In thousands)

		LIFE		ACCIDENT & HEALTH		TOTAL
2002 Financial Results						
Premiums and other policy revenues	$	2,228	$	223,077	$	225,305
Net investment income		460		8,741		9,201
Expenses and benefits		(2,179)		(223,147)		(225,326)
Pre-tax gain from operations		509		8,671		9,180
Allocated federal income taxes		(168)		(2,861)		(3,029)
Net income	$	341	$	5,810	$	6,151
2002 Statistical Data						
Life insurance in force	$	701,544	$	—	$	701,544
Earned premium income		2,228		191,764		193,992
2001 Financial Results						
Premiums and other policy revenues	$	3,374	$	247,428	$	250,802
Net investment income		529		7,745		8,274
Expenses and benefits		(3,596)		(272,862)		(276,458)
Pre-tax gain from operations		307		(17,689)		(17,382)
Allocated federal income taxes		(101)		5,837		5,736
Net income	$	206	$	(11,852)	$	(11,646)
2001 Statistical Data						
Life insurance in force	$	829,014	$	—	$	829,014
Earned premium income		3,376		222,183		225,559

Market opportunity

During recent years, there has been a dramatic reduction in the number of insurers marketing health products and health care coverage. A continued emphasis on greater efficiency, and a further refinement of core business, will position American National to take advantage of industry contraction and consolidation in those market areas where the company has a demonstrated competitive advantage.





CREDIT INSURANCE

Expertise, experience and long-lasting relationships with its distribution partners have propelled the Credit Insurance Division to rank among the industry leaders.

RESULTS

Operational gains. Net gain from operations improved to $10.1 million in 2002. This was achieved even though written premiums declined 4.2% from the previous year.

Growth in new production. Property and casualty growth was dramatic in 2002, up 62.7% over 2001. This was due, in large part, to the sales gains of the Guaranteed Auto Protection (GAP) coverage, which provides coverage when an outstanding loan balance exceeds the insurance coverage otherwise available.

Life and disability production. Life and disability production was down from the previous year. This decrease occurred as a result of continuing reductions in credit life rates and a reduction in financing of single premium products. This is offset somewhat by the growth in property and casualty production.

TWO-YEAR FINANCIAL COMPARISON (In thousands)

	2002	2001
Financial Results		
Premiums and other policy revenues	$ 73,600	$ 66,041
Net investment income	17,939	17,718
Expenses and benefits	(76,454)	(71,752)
Pre-tax gain from operations	15,085	12,007
Allocated federal income taxes	(4,978)	(3,962)
Net income	$ 10,107	$ 8,045
Statistical Data		
Life insurance in force	$ 6,881,274	$ 7,460,283
Sales of life insurance (face amount)	3,736,837	4,150,068
Written premium	151,775	158,499
Earned premium income	64,311	58,308

Building on strengths

Based on the face amount of credit life insurance sold, the Credit Insurance Division is ranked among the top ten producers in the United States. Premium production has gone from less than $20 million in 1985 to more than $150 million in 2002. This growth is a testament to the financial strength of American National, the outstanding relationships with its distribution partners, and a commitment to providing outstanding customer service.

LOOKING AHEAD

In 2003, the Credit Insurance Division's goal is an increase in premium production. One key to making this goal a reality is to enhance marketing efforts, including seeking additional producers.

Targets to help grow premium in 2003 include GAP coverage and Involuntary Unemployment Insurance. Also, debt cancellation agreements will be sought with new producer groups.

SENIOR AGE MARKETING

Senior Age Marketing activities are conducted primarily through Standard Life and Accident Insurance Company. With a reputation as a leading provider of Medicare Supplement products, this division has continued to expand its presence in the Senior Age marketplace.

RESULTS IN 2002

Net income increases. In 2002, net income was $4.1 million, compared with a loss of $5 million in 2001. The improvement was largely attributable to the establishment of premium deficiency reserves at year-end 2001 on blocks of Long Term Care and Limited Benefit Nursing Home business that are no longer being marketed.

Sales momentum. Despite sizable rate increases in Medicare Supplement products in 2002, driven by increasing health care costs, Senior Age Marketing was able to maintain sales momentum.

LOOKING AHEAD

In 2003, Senior Age Marketing will continue to focus on aggressively expanding its distribution through large, independent marketing organizations.

Access to other American National products broadens producers' ability to satisfy the multiple

TWO-YEAR FINANCIAL COMPARISON (In thousands)

	LIFE	ANNUITY	ACCIDENT & HEALTH	TOTAL
2002 Financial Results				
Premiums and other policy revenues	$ 23,039	$ 406	$ 168,700	$ 192,145
Net investment income	7,361	2,131	10,342	19,834
Expenses and benefits	(28,730)	(2,991)	(174,132)	(205,853)
Pre-tax gain from operations	1,670	(454)	4,910	6,126
Allocated federal income taxes	(552)	150	(1,620)	(2,022)
Net income	$ 1,118	$ (304)	$ 3,290	$ 4,104
2002 Statistical Data				
Life insurance in force	$ 524,185	—	—	$ 524,185
Paid annualized premium from new sales	2,119	10,048	30,604	42,771
Policy account deposits	2,097	10,067	—	12,164
Earned premium income	23,065	269	168,698	192,032
2001 Financial Results				
Premiums and other policy revenues	$ 24,292	$ 492	$ 143,240	$ 168,024
Net investment income	7,222	1,643	8,787	17,652
Expenses and benefits	(29,768)	(2,060)	(161,430)	(193,258)
Pre-tax gain from operations	1,746	75	(9,403)	(7,582)
Allocated federal income taxes	(576)	(25)	3,103	2,502
Net income	$ 1,170	$ 50	$ (6,300)	$ (5,080)
2001 Statistical Data				
Life insurance in force	$ 553,021	$ —	$ —	$ 553,021
Paid annualized premium from new sales	2,892	8,381	39,191	50,464
Earned premium income	24,211	375	143,241	167,827
Policy account deposits	1,019	8,218	—	9,237

insurance needs of families. This is a valuable competitive advantage that will be marketed more aggressively to producers and customers alike.

Medicare Supplement plans are available in almost all states. The portfolio of Medicare Supplement products will be enhanced during 2003 by the addition of new Medicare Select products and a refinement of the current product rate structure.

A solid portfolio

Senior Age Marketing is well known to distributors for its product line and industry experience. Association with American National enhances this reputation, offering financial strength and stability to Senior Age's operations. Senior Age also can offer its products through additional distribution channels, as well as gain access to a broader portfolio of products to serve the needs of customer's family members who are under the age of 65.

DIRECT MARKETING

Direct Marketing conducts business through Garden State Life Insurance Company. Through aggressive and innovative use of direct mail, broadcast and print media, and the Internet, Direct Marketing sells life insurance products to the middle-class market.

2002 RESULTS

Record sales. The year 2002 was another record year for Direct Marketing, with new annualized premium of $11.3 million, an increase of 33% over the total achieved in 2001.

Reduced earnings. Net income was $1.4 million, down from the total achieved in 2001. The primary reasons for the decline in income were acquisition costs associated with a greater volume of new sales and a modestly higher than expected level of death claims during the year.

Earned premium income up. Earned premium income rose to $31.9 million, an increase of 9.5% from the previous year.

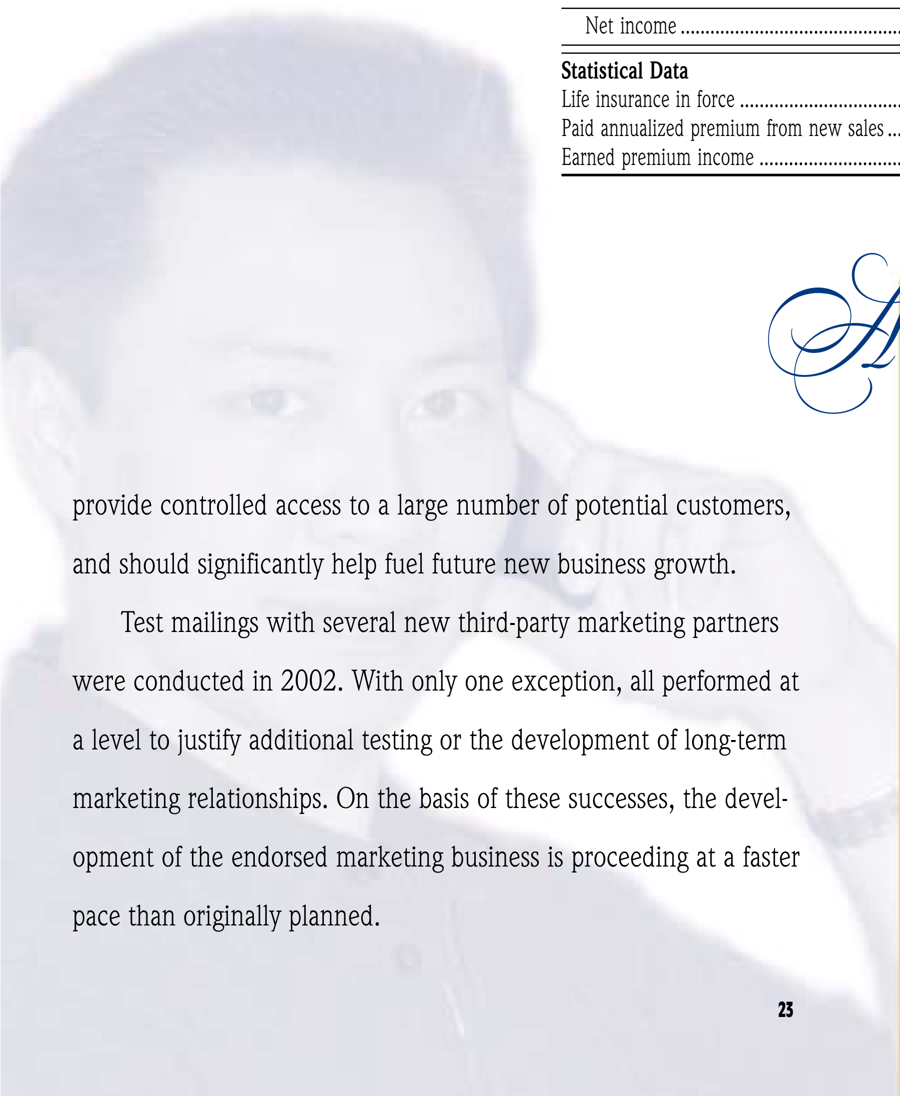
LOOKING AHEAD

In an effort to convert more inquirers into buyers, several changes were introduced during 2002, including a card providing discounts on pharmacy, dental, vision and chiropractic care as a value-added benefit to new policyholders. The offer is being tested in conjunction with several marketing programs, and has shown early signs of success.

Applying sophisticated statistical modeling techniques to a large external database of potential customers, profitable access to the general marketplace was again achieved. This technique will

TWO-YEAR FINANCIAL COMPARISON (In thousands)

	2002	2001
Financial Results		
Premiums and other policy revenues	$ 32,520	$ 29,839
Net investment income	3,508	3,413
Expenses and benefits	(33,922)	(28,948)
Pre-tax gain from operations	2,106	4,304
Allocated federal income taxes	(695)	(1,420)
Net income	$ 1,411	$ 2,884
Statistical Data		
Life insurance in force	$ 5,397,469	$ 5,174,972
Paid annualized premium from new sales	11,319	8,509
Earned premium income	31,896	29,131

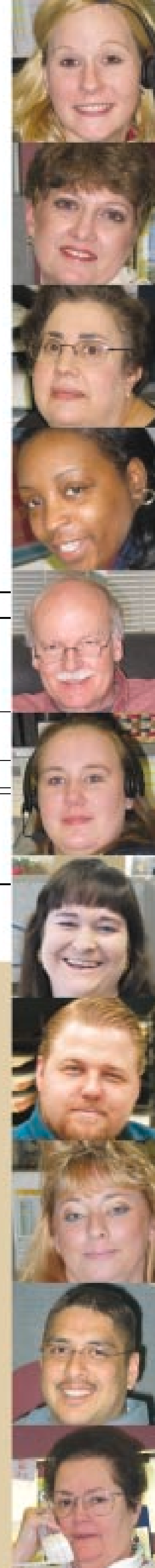


provide controlled access to a large number of potential customers, and should significantly help fuel future new business growth.

Test mailings with several new third-party marketing partners were conducted in 2002. With only one exception, all performed at a level to justify additional testing or the development of long-term marketing relationships. On the basis of these successes, the development of the endorsed marketing business is proceeding at a faster pace than originally planned.

A mouse click away

During 2002, Direct Marketing's Web site was updated to allow for online submission of applications. Direct Marketing continues to add new features to its Web site, with the goal of providing true "end-to-end" customer service online. This will provide another customer choice, and add to customer convenience. For those Direct Marketing customers who want the option, faster communications, time savings, and 24-hour, seven-day-a-week access will be a mouse click away.



OTHER OPERATIONS

SECURITIES MANAGEMENT AND RESEARCH, INC. (SM&R)

SM&R, a wholly owned subsidiary, is an investment adviser, money manager, and broker-dealer. It serves as investment adviser and principal underwriter for a series of mutual funds and separate accounts, shares of which are sold directly or as an investment vehicle for variable life and annuity products. SM&R also manages assets for registered investment companies, retirement plans, bank trust funds, nonprofit foundations, private institutions of higher education, and private client portfolios.

SM&R continued to focus on three distribution channels in 2002: American National's Multiple Line and Independent Marketing segments, and SM&R's direct sales, including the Arizona College Savings Plan.

SPECIALIZED INVESTMENT COMPANIES

American National has several non-insurance subsidiaries that make real estate investments or provide investment related services. The use of these specialized companies provides for better risk management and monitoring of investment returns. The company also has numerous investments in joint ventures, including real estate partnerships and equity funds. These joint venture investments enable the company to share in the expertise of various partners that it could not otherwise utilize.

ACQUIRED BUSINESS

Business acquired by the company as closed blocks of insurance is reported under Other Operations. This includes the various blocks of insurance purchased from American Security Life, American Health and Life and several other smaller blocks.

The company will continue to explore opportunities for insurance acquisitions that will add value to the company. These targets could include blocks of closed insurance business or entire companies that offer strategic opportunities and the potential for future growth.

2002 financial information

American National Insurance Company and Subsidiaries

AMERICAN NATIONAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except for per share data)

	2002	2001	2000
PREMIUMS AND OTHER REVENUE			
Premiums:			
Life	$ 337,100	$ 323,603	$ 301,440
Annuity	33,596	35,773	55,504
Accident and health	408,430	415,124	404,973
Property and casualty	861,696	666,823	426,786
Other policy revenues	106,372	104,680	103,323
Net investment income	563,510	529,146	479,089
Realized gains (losses) on investments	(131,095)	6,545	22,571
Other income	61,734	52,687	40,795
Total revenues	2,241,343	2,134,381	1,834,481
BENEFITS AND EXPENSES			
Death and other benefits:			
Life	242,189	240,724	218,652
Annuity	53,688	55,196	53,180
Accident and health	305,532	332,371	316,965
Property and casualty	719,016	574,610	374,671
Increase in liability for future policy benefits:			
Life	31,132	23,983	15,539
Annuity	(1,588)	2,870	18,991
Accident and health	9,069	28,196	2,127
Interest credited to policy account balances	166,515	130,551	107,358
Commissions for acquiring and servicing policies	343,096	296,119	256,146
Other operating costs and expenses	342,870	306,867	222,458
Decrease (increase) in deferred policy acquisition costs	(43,606)	(15,254)	7,807
Taxes, licenses and fees	38,536	46,975	36,694
Total benefits and expenses	2,206,449	2,023,208	1,630,588
Income from operations before equity in earnings of unconsolidated affiliates and federal income taxes	34,894	111,173	203,893
Equity in earnings (losses) of unconsolidated affiliates	(8,059)	(6,054)	3,049
Income from operations before federal income taxes	26,835	105,119	206,942
Provision (benefit) for federal income taxes			
Current	40,940	56,708	83,255
Deferred	(30,960)	(16,520)	(16,487)
Net income	$ 16,855	$ 64,931	$ 140,174
Net income per common share - basic & diluted	$ 0.64	$ 2.45	$ 5.29

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousands)

	December 31, 2002	December 31, 2001
ASSETS		
Investments, other than investments in unconsolidated affiliates		
Debt securities:		
Bonds held-to-maturity, at amortized cost	$ 4,497,025	$ 3,811,582
Bonds available-for-sale, at market	1,532,137	1,578,184
Marketable equity securities, at market:		
Preferred stocks	47,385	50,441
Common stocks	758,298	889,092
Mortgage loans on real estate	1,023,564	1,007,993
Policy loans	328,099	324,545
Investment real estate, net of accumulated depreciation of $115,110 and $132,873	216,882	233,069
Short-term investments	435,463	255,476
Other invested assets	161,943	129,398
Total investments	9,000,796	8,279,780
Cash	195,916	188,043
Investments in unconsolidated affiliates	174,245	173,878
Accrued investment income	135,997	125,781
Reinsurance ceded receivables	646,243	645,460
Prepaid reinsurance premiums	198,636	173,346
Premiums due and other receivables	261,993	214,586
Deferred policy acquisition costs	874,495	829,216
Property and equipment, net	79,422	73,932
Other assets	274,404	243,507
Separate account assets	297,025	310,608
Total assets	$ 12,139,172	$ 11,258,137
LIABILITIES		
Policyholder funds		
Future policy benefits:		
Life	$ 2,207,561	$ 2,160,613
Annuity	209,452	216,627
Accident and health	114,211	104,913
Policy account balances	3,578,568	2,849,458
Policy and contract claims	1,295,196	1,226,588
Other policyholder funds	1,062,225	958,156
Total policyholder liabilities	8,467,213	7,516,355
Current federal income taxes	(47,346)	(25,649)
Deferred federal income taxes	47,710	79,665
Notes payable	204,128	204,443
Other liabilities	287,731	234,124
Minority interests in subsidiaries	8,982	2,252
Separate account liabilities	297,025	310,608
Total liabilities	9,265,443	8,321,798
STOCKHOLDERS' EQUITY		
Capital stock	30,832	30,832
Additional paid-in capital	7,841	2,947
Accumulated other comprehensive income	74,668	75,940
Retained earnings	2,869,259	2,931,218
Treasury stock, at cost	(99,097)	(100,891)
Restricted stock	(9,774)	(3,707)
Total stockholders' equity	2,873,729	2,936,339
Total liabilities and stockholders' equity	$ 12,139,172	$ 11,258,137

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except for per share data)

		2002	2001	2000
Common Stock	Balance at beginning and end of year	$ 30,832	$ 30,832	$ 30,832
Additional Paid-In Capital	Balance at beginning of year	2,947	2,850	211
	Issuance of treasury shares as restricted stock	4,894	97	2,639
	Balance at end of year	7,841	2,947	2,850
Accumulated Other Comprehensive Income	Balance at beginning of year	75,940	150,402	254,820
	Change in unrealized gains on marketable securities, net	(1,660)	(70,150)	(104,313)
	Foreign exchange adjustments	(493)	(4)	(105)
	Change in fair value of interest rate swap	3,087	(4,308)	—
	Minimum pension liability adjustment	(2,206)	—	—
	Balance at end of year	74,668	75,940	150,402
Retained Earnings	Balance at beginning of year	2,931,218	2,944,453	2,880,010
	Net income	16,855	64,931	140,174
	Cash dividends to common stockholders ($2.96, $2.92, $2.86 per share)	(78,726)	(77,585)	(75,731)
	Cash dividends to minority stockholders of subsidiaries	(88)	(226)	—
	Redemption premium on subsidiary preferred stock	—	(355)	—
	Balance at end of year	2,869,259	2,931,218	2,944,453
Treasury Stock	Balance at beginning of year	(100,891)	(100,862)	(102,727)
	Net issuance (redemption) of restricted stock	1,794	(29)	1,865
	Balance at end of year	(99,097)	(100,891)	(100,862)
Restricted Stock	Balance at beginning of year	(3,707)	(4,018)	—
	Net issuance of restricted stock	(6,688)	(31)	(4,504)
	Amortization of restrictions	621	342	486
	Balance at end of year	(9,774)	(3,707)	(4,018)
Stockholders' Equity	Balance at end of year	$ 2,873,729	$ 2,936,339	$ 3,023,657

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	2002	2001	2000
Net income	$ 16,855	$ 64,931	$ 140,174
Other comprehensive income			
Change in unrealized gains on marketable securities, net	(1,660)	(70,150)	(104,313)
Foreign exchange adjustments	(493)	(4)	(105)
Change in fair value of interest rate swap	3,087	(4,308)	—
Minimum pension liability adjustment	(2,206)	—	—
Total	(1,272)	(74,462)	(104,418)
Comprehensive income (loss)	$ 15,583	$ (9,531)	$ 35,756

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	2002	2001	2000
OPERATING ACTIVITIES			
Net income	$ 16,855	$ 64,931	$ 140,174
Adjustments to reconcile net income to net cash provided by operating activities:			
Increase in liabilities for policyholders' funds	221,748	607,666	298,026
Charges to policy account balances	(58,769)	(146,207)	(100,422)
Interest credited to policy account balances	166,515	130,551	107,358
Deferral of policy acquisition costs	(260,013)	(251,765)	(229,171)
Amortization of deferred policy acquisition costs	216,231	184,089	236,789
Deferred federal income tax benefit	(30,960)	(16,520)	(16,487)
Depreciation	26,621	25,216	21,564
Accrual and amortization of discounts and premiums	(15,233)	(22,762)	(17,319)
Amortization of goodwill	—	3,100	—
Loss (gain) from sale, disposal or impairment of investments, net	131,095	(33,217)	(22,571)
Equity in earnings of unconsolidated affiliates	8,059	6,054	(3,049)
Increase in premiums receivable	(47,407)	(9,800)	(55,515)
Decrease (increase) in accrued investment income	(10,216)	(1,380)	2,588
Capitalization of interest on policy and mortgage loans	(16,386)	(15,654)	(14,395)
Other changes, net	(40,806)	(188,055)	(152,092)
Net cash provided by operating activities	307,334	336,247	195,478
INVESTING ACTIVITIES			
Proceeds from sale or maturity of investments:			
Bonds	885,419	396,344	243,016
Stocks	99,960	165,615	198,901
Real estate	20,079	9,163	18,766
Other invested assets	34,332	16,160	18,146
Principal payments received on:			
Mortgage loans	109,312	154,012	89,585
Policy loans	38,216	9,092	36,940
Purchases of investments:			
Bonds	(1,463,876)	(583,203)	(99,701)
Stocks	(137,685)	(322,276)	(143,828)
Real estate	(17,790)	(11,741)	(2,039)
Mortgage loans	(112,954)	(49,828)	(34,095)
Policy loans	(26,199)	7,815	(24,217)
Other invested assets	(69,249)	(69,388)	(99,023)
Increase in short-term investments, net	(179,987)	(114,958)	(45,166)
Increase in investment in unconsolidated affiliates, net	(367)	(21,703)	(38,857)
Payment for acquisition of subsidiary, net of cash acquired	—	(245,418)	—
Increase in property and equipment, net	(20,907)	(17,953)	(12,291)
Net cash provided by (used in) investing activities	(841,696)	(678,267)	106,137
FINANCING ACTIVITIES			
Policyholders' deposits to policy account balances	914,343	587,685	324,881
Policyholders' withdrawals from policy account balances	(292,979)	(341,039)	(408,356)
Increase (decrease) in notes payable	(315)	204,443	—
Dividends to stockholders	(78,814)	(77,811)	(75,731)
Net cash provided by (used in) financing activities	542,235	373,278	(159,206)
NET INCREASE (DECREASE) IN CASH	7,873	31,258	142,409
Cash:			
Beginning of the year	188,043	156,785	14,376
End of the year	$ 195,916	$ 188,043	$ 156,785

See accompanying notes to 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 line basis, American National offers a broad line of insurance coverages, including individual and group life, health, and annuities; personal lines property and casualty; and credit insurance. In addition, through non-insurance subsidiaries, American National offers mutual funds and invests in real estate. The majority (99%) of revenues is generated by the insurance business. Business is conducted in all states, as well as Puerto Rico, Guam and American Samoa. American National is also authorized to sell its products to American military personnel in Western Europe and, through subsidiaries, business is conducted in Mexico. Various distribution systems are utilized, including home service, multiple line ordinary, group brokerage, credit, independent third party marketing organizations and direct sales to the public.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

Principles of consolidation and basis of presentation—The consolidated financial statements include the accounts of American National Insurance Company and its subsidiaries. All significant intercompany transactions have been eliminated in consolidation. Investments in unconsolidated affiliates are shown at cost plus equity in undistributed earnings since the dates of acquisition.

The consolidated financial statements have been prepared on the basis of Generally Accepted Accounting Principles (GAAP) as defined in the United States of America. GAAP for insurance companies differs from the basis of accounting followed in reporting to insurance regulatory authorities. (See Note 16.)

Certain reclassifications have been made to the 2000 and 2001 financial information to conform to the 2002 presentation.

Use of estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from reported results using those estimates.

Accounting changes

Accounting for derivative instruments—FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by FAS No. 137 and FAS No. 138, is effective for all quarters beginning after June 15, 2000. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The statement requires that entities recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. American National adopted FAS No. 133, as amended, on January 1, 2001. The adoption of FAS No. 133 did not have a significant effect on American National's financial position or results from operations. However, in conjunction with the adoption of FAS No. 133 in 2001, American National reclassified bonds with an amortized value of $286,726,000 from held-to-maturity to available-for-sale. This reclassification resulted in an addition to unrealized losses of $3,976,000 at the time of the reclassification.

Business combinations—FAS No. 141, "Business Combinations" is effective for all business combinations initiated after June 30, 2001. This statement establishes the purchase method as the only allowable way to account for business combinations. The statement also establishes the criteria for identifying and initially recognizing goodwill associated with a business combination. American National adopted FAS No. 141 on July 1, 2001. The adoption of FAS No. 141 did not have a significant effect on American National's financial position or results from operations.

Goodwill and other intangible assets—FAS No. 142, "Goodwill and Other Intangible Assets" is effective for years beginning after December 15, 2001. This statement addresses the initial recognition and measurement of intangible assets that were not acquired as part of a business combination. The statement also addresses the subsequent accounting and measurement of goodwill and intangible assets regardless of how they were acquired. The statement eliminates the expensing of goodwill on a routine periodic basis and establishes an annual valuation approach for intangible assets without a finite life. American National adopted FAS No. 142 on January 1, 2002. The only goodwill which American National has is the amount associated with the acquisition of Farm Family Holdings, Inc. (see Note 14.)

Guarantees to others—In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34." This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the

Interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on American National's financial statements. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002, and are included in the notes to these consolidated financial statements.

Investments

Marketable securities

Debt securities—Bonds that are intended to be held-to-maturity are carried at amortized cost. The carrying value of these debt securities is expected to be realized, due to American National's ability and intent to hold these securities until maturity.

Bonds held as available-for-sale are carried at market.

Preferred stocks—All preferred stocks are classified as available-for-sale and are carried at market.

Common stocks— All common stocks are classified as available-for-sale and are carried at market.

Unrealized gains—For all investments carried at market, the unrealized gains or losses (differences between amortized cost and market value), net of applicable federal income taxes, are reflected in stockholders' equity as a component of accumulated other comprehensive income.

Impairments—All marketable securities are regularly reviewed for impairment based on criteria that include the extent to which cost exceeds market value, the duration of the market decline, and the financial health of and specific prospects for the issuer. Losses that are determined to be other than temporary are recognized in current period income as a realized loss.

Mortgage loans—Mortgage loans on real estate are carried at amortized cost, less allowance for valuation impairments.

The mortgage loan portfolio is closely monitored through the review of loan and property information, such as debt service coverage, annual operating statements and property inspection reports. This information is evaluated in light of current economic conditions and other factors, such as geographic location and property type. As a result of this review, impaired loans are identified and valuation allowances are established. Impaired loans are those which, based on current information and events, it is probable that American National will be unable to collect all amounts due, according to the contractual terms of the loan agreement.

Policy loans—Policy loans are carried at cost.

Investment real estate—Investment real estate is carried at cost, less allowance for depreciation and valuation impairments. Depreciation is provided over the estimated useful lives of the properties (15 to 50 years) using straight-line and accelerated methods.

American National's real estate portfolio is closely monitored through the review of operating information and periodic inspections. This information is evaluated in light of current economic conditions and other factors, such as geographic location and property type. As a result of this review, if there is any indication of an adverse change in the economic condition of a property, a complete cash flow analysis is performed to determine whether or not an impairment allowance is necessary. If a possible impairment is indicated, the fair market value of the property is estimated using a variety of techniques, including cash flow analysis, appraisals and comparison to the values of similar properties. If the book value is greater than the estimated fair market value, an impairment allowance is established.

Short-term investments—Short-term investments (primarily commercial paper) are carried at amortized cost.

Other invested assets—Other invested assets are carried at cost, less allowance for valuation impairments. Valuation allowances for other invested assets are considered on an individual basis in accordance with the same procedures used for investment real estate.

Investment valuation allowances—Investment valuation allowances are established for impairments of mortgage loans, real estate and other assets in accordance with the policies established for each class of asset. The increase in the valuation allowances is reflected in current period income as a realized loss.

Management believes that the valuation allowances are adequate. However, it is possible that a significant change in economic conditions in the near term could result in losses exceeding the amounts established.

Cash and cash equivalents

American National considers cash on-hand and in-banks plus amounts invested in money market funds as cash for purposes of the consolidated statements of cash flows.

Investments in unconsolidated affiliates

These assets are primarily investments in real estate and equity fund joint ventures, and are accounted for under the equity method of accounting.

Property and equipment

These assets consist of buildings occupied by the companies, electronic data processing equipment, and furniture and equipment. These assets are carried at cost, less accumulated depreciation. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the assets (3 to 50 years).

Foreign currencies

Assets and liabilities recorded in foreign currencies are translated at the exchange rate on the balance sheet date. Revenue and expenses are translated at average rates of exchange prevailing during the year. Translation adjustments resulting from this process are charged or credited to other accumulated comprehensive income.

Insurance specific assets and liabilities

Deferred policy acquisition costs—Certain costs of acquiring new insurance business have been deferred. For life, annuity and accident and health business, such costs consist of inspection report and medical examination fees, commissions, related fringe benefit costs and the cost of insurance in force gained through acquisitions. The amount of commissions deferred includes first-year commissions and certain subsequent year commissions that are in excess of ultimate level commission rates.

The deferred policy acquisition costs on traditional life and health products are amortized with interest over the anticipated premium-paying period of the related policies, in proportion to the ratio of annual premium revenue to be received over the life of the policies. Expected premium revenue is estimated by using the same mortality and withdrawal assumptions used in computing liabilities for future policy benefits. The amount of deferred policy acquisition costs is reduced by a provision for possible inflation of maintenance and settlement expenses in the determination of such amounts by means of grading interest rates.

Costs deferred on universal life, limited pay and investment type contracts are amortized as a level percentage of the present value of anticipated gross profits from investment yields, mortality, and surrender charges. The effect on the deferred policy acquisition costs that would result from realization of unrealized gains (losses) is recognized with an offset to accumulated other comprehensive income in consolidated stockholders' equity as of the balance sheet date. It is possible that a change in interest rates could have a significant impact on the deferred policy acquisition costs calculated for these contracts.

Deferred policy acquisition costs associated with property and casualty insurance business consist principally of commissions, underwriting and issue costs. These costs are amortized over the coverage period of the related policies, in relation to premium revenue recognized.

Future policy benefits—For traditional products, liabilities for future policy benefits have been provided on a net level premium method based on estimated investment yields, withdrawals, mortality, and other assumptions that were appropriate at the time that the policies were issued. Estimates used are based on the companies' experience, as adjusted to provide for possible adverse deviation. These estimates are periodically reviewed and compared with actual experience. When it is determined that future expected experience differs significantly from existing assumptions, the estimates are revised for current and future issues.

Future policy benefits for universal life and investment-type contracts reflect the current account value before applicable surrender charges.

Recognition of premium revenue and policy benefits

Traditional ordinary life and health—Life and accident and health premiums are recognized as revenue when due. Benefits and expenses are associated with earned premiums to result in recognition of profits over the life of the policy contracts. This association is accomplished by means of the provision for liabilities for future policy benefits and the amortization of deferred policy acquisition costs.

Annuities—Revenues from annuity contracts represent amounts assessed against contract holders. Such assessments are principally surrender charges and, in the case of variable annuities, administrative fees. Policy account balances for annuities represent the deposits received plus accumulated interest less applicable accumulated administrative fees.

Universal life and single premium whole life—Revenues from universal life policies and single premium whole-life policies represent amounts assessed against policyholders. Included in such assessments are mortality charges, surrender charges actually paid and earned policy service fees. Policyholder account balances consist of the premiums received plus credited interest, less accumulated policyholder assessments. Amounts included in expense represent benefits in excess of account balances returned to policyholders.

Property and casualty—Property and casualty premiums are recognized as revenue proportionately over the contract period. Policy benefits consist of actual claims and the change in reserves for losses and loss adjustment expenses. The reserves for losses and loss adjustment expenses are estimates of future payments of reported and unreported claims and the related expenses with respect to insured events that have occurred. These reserves are calculated using case basis estimates for reported losses and experience for claims incurred but not reported. These loss reserves are reported net of an allowance for salvage and subrogation. Management believes that American National's reserves have been appropriately calculated, based on available information as of December 31, 2002. However, it is possible that the ultimate liabilities may vary significantly from these estimated amounts.

Participating insurance policies

A portion of the life insurance portfolio is written on a participating basis. Participating business comprised approximately 8.0% of the life insurance in force at December 31, 2002 and 14.3% of life and annuity premiums in 2002. Of the total participating business, 70.5% was written by Farm Family Life Insurance Company (Farm Family Life). For the participating business excluding Farm Family Life, the allocation of dividends to participating policyowners is based upon a comparison of experienced rates of mortality, interest and expenses, as determined periodically for representative plans of insurance, issue ages and policy durations, with the corresponding rates assumed in the calculation of premiums.

For the Farm Family Life participating business, profits earned on participating business are reserved for the payment of dividends to policyholders except for the stockholders' share of profits on participating policies, which is limited to the greater of 10% of the profit on participating business, or 50 cents per thousand dollars of the face amount of participating life insurance in force. Participating policyholders' interest includes the accumulated net income from participating policies reserved for payment to such policyholders in the form of dividends (less net income allocated to stockholders as indicated above) as well as a pro rata portion of unrealized investment gains (losses), net of tax.

Federal income taxes

American National and its eligible subsidiaries will file a consolidated life/non-life federal income tax return for 2002. Certain subsidiaries which are consolidated for financial reporting are not eligible to be included in the consolidated federal income tax return. Separate provisions for income taxes have been determined for these entities.

Deferred federal income tax assets and liabilities have been recognized to reflect the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Stock-based compensation

American National uses the fair value method to account for stock-based compensation.

Separate account assets and liabilities

The separate account assets and liabilities represent funds maintained to meet the investment objectives of contract holders who bear the investment risk. The investment income and investment gains and losses from these separate funds accrue directly to the contract holders of the policies supported by the separate accounts. The assets of each separate account are legally segregated and are not subject to claims that arise out of any other business of American National. The assets of these accounts are carried at market value. Deposits, net investment income and realized investment gains and losses for these accounts are excluded from revenues, and related liability increases are excluded from benefits and expenses in these consolidated financial statements.

(3) INVESTMENTS

The amortized cost and estimated market values of investments in held-to-maturity and available-for-sale securities are as shown in Table 1 (in thousands).

TABLE 1

December 31, 2002	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Debt securities:				
Bonds held-to-maturity:				
U. S. Government and agencies	$ 68,303	$ 2,955	$ —	$ 71,258
States, and political subdivisions	208,743	10,427	(21)	219,149
Foreign governments	25,642	1,014	—	26,656
Public utilities	825,823	55,318	(153)	880,988
All other corporate bonds	2,978,573	243,184	(6,572)	3,215,185
Mortgage-backed securities	389,941	18,812	(202)	408,551
Total bonds held-to-maturity	4,497,025	331,710	(6,948)	4,821,787
Bonds available-for-sale:				
U. S. Government and agencies	20,895	1,511	—	22,406
States, and political subdivisions	95,030	4,862	—	99,892
Foreign governments	14,855	1,357	—	16,212
Public utilities	457,072	18,983	(15,490)	460,565
All other corporate bonds	780,817	49,641	(7,977)	822,481
Mortgage-backed securities	109,623	958	—	110,581
Total bonds available-for-sale	1,478,292	77,312	(23,467)	1,532,137
Total debt securities	5,975,317	409,022	(30,415)	6,353,924
Marketable equity securities:				
Preferred stock	47,401	916	(932)	47,385
Common stock	681,883	145,128	(68,713)	758,298
Total marketable equity securities	729,284	146,044	(69,645)	805,683
Total investments in securities	$ 6,704,601	$ 555,066	$ (100,060)	$ 7,159,607

December 31, 2001	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Debt securities:				
Bonds held-to-maturity:				
U. S. Government and agencies	$ 43,830	$ 1,258	$ (74)	$ 45,014
States and political subdivisions	209,731	2,145	(1,266)	210,610
Foreign governments	44,175	935	—	45,110
Public utilities	973,502	32,921	(2,891)	1,003,532
All other corporate bonds	2,400,679	94,247	(8,457)	2,486,469
Mortgage-backed securities	139,665	6,952	(124)	146,493
Total bonds held-to-maturity	3,811,582	138,458	(12,812)	3,937,228
Bonds available-for-sale:				
U. S. Government and agencies	22,565	1,044	(62)	23,547
States and political subdivisions	97,420	417	(673)	97,164
Foreign governments	14,765	1,538	—	16,303
Public utilities	390,847	10,303	(7,811)	393,339
All other corporate bonds	890,397	35,364	(27,442)	898,319
Mortgage-backed securities	147,542	2,631	(661)	149,512
Total bonds available-for-sale	1,563,536	51,297	(36,649)	1,578,184
Total debt securities	5,375,118	189,755	(49,461)	5,515,412
Marketable equity securities:				
Preferred stock	49,405	1,706	(670)	50,441
Common stock	769,306	235,737	(115,951)	889,092
Total marketable equity securities	818,711	237,443	(116,621)	939,533
Total investments in securities	$ 6,193,829	$ 427,198	$ (166,082)	$ 6,454,945

Debt Securities—The amortized cost and estimated market value, by contractual maturity of debt securities at December 31, 2002, are shown in Table 2 (in thousands). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

TABLE 2

	Bonds-Held-to-Maturity		Bonds-Available-for-Sale	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
Due in one year or less	$ 351,311	$ 355,888	$ 94,378	$ 98,827
Due after one year through five years	1,663,699	1,801,440	794,432	830,640
Due after five years through ten years	1,548,777	1,682,512	287,577	300,724
Due after ten years	516,040	545,652	268,859	268,943
	4,079,827	4,385,492	1,445,246	1,499,134
Without single maturity date	417,198	436,295	33,046	33,003
	$ 4,497,025	$ 4,821,787	$ 1,478,292	$ 1,532,137

Available-for-sale securities are sold throughout the year for various reasons. Additionally, both available-for-sale securities and held-to-maturity securities are called or otherwise redeemed by the issuer. Proceeds from the disposals of these securities, with the gains and losses realized, are shown in Table 3 (in thousands).

In 2002, securities with an amortized cost of $173,145,000 were transferred from held-to-maturity to available-for-sale due to evidence of significant deterioration in the issuers' creditworthiness. An unrealized loss of $21,281,000 was established at the time of the transfer. Additionally, in 2002 held-to-maturity securities with an amortized cost of $170,311,000 were sold to maintain American National's credit risk policy. Proceeds from ultimate sales of these bonds totaled $178,769,000 with net realized gains of $8,458,000.

TABLE 3

	2002	2001	2000
Proceeds from sales of available-for-sale securities	$ 218,364	$ 243,096	$ 234,477
Gross gains realized	29,549	49,033	68,605
Gross losses realized	31,119	11,708	48,761
Proceeds from bonds called or otherwise redeemed by the issuer:	$ 519,635	$ 184,404	$ 125,271
Gross gains realized	2,154	676	379
Gross losses realized	355	205	—

In 2001, securities with an amortized cost of $98,014,000 were transferred from held-to-maturity to available-to-sale due to evidence of significant deterioration in the issuer's creditworthiness. An unrealized loss of $10,191,000 was established at the time of the transfer.

In 2000, included in the proceeds from sales of available-for-sale securities was $8,893,000 from the sale of bonds that had been reclassified from bonds held-to-maturity. The bonds had been reclassified due to evidence of significant deterioration in the issuer's creditworthiness. The net loss from the sale of these bonds was $7,941,000.

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

Unrealized gains on securities—Unrealized gains 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 liabilities of $42,743,000, $44,062,000 and $81,060,000 for 2002, 2001, and 2000 respectively.

The change in the net unrealized gains on investments for the years ended December 31 are summarized as shown in Table 4 (in thousands).

TABLE 4

	2002	2001	2000
Bonds available-for-sale	$ 39,197	$ 73,091	$ (39,436)
Preferred stocks	(1,052)	893	(464)
Common stocks	(43,371)	(175,345)	(117,142)
Index options	—	139	(139)
Amortization of deferred policy acquisition costs	1,503	(5,789)	(3,294)
	(3,723)	(107,011)	(160,475)
Provision for federal income taxes	1,319	36,998	56,162
	$ (2,404)	$ (70,013)	$ (104,313)
Change in unrealized gains of investments attributable to participating policyholders' interest	744	(137)	—
Total	$ (1,660)	$ (70,150)	$ (104,313)

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 cash flows or proceeds from the sale of real estate. American National generally allows a maximum loan-to-collateral-value ratio of 75% to 90% on newly funded mortgage loans. As of December 31, 2002, mortgage loans have fixed rates from 6.00% to 12.00% and variable rates from 2.29% to 9.15%. The majority of the mortgage loan contracts require periodic payments of both principal and interest, and have amortization periods of 3 months to 33 years.

American National has investments in first lien mortgage loans on real estate with carried values of $1,023,564,000 and $1,007,993,000 at December 31, 2002 and 2001, respectively. Problem loans, on which valuation allowances were established, totaled $20,330,000 and $65,875,000 at December 31, 2002 and 2001, respectively. The valuation allowances on those loans totaled $3,766,000 and $8,211,000 at December 31, 2002 and 2001, respectively.

Policy loans—All of the Company's policy loans carried interest rates ranging from 5% to 8% at December 31, 2002.

Investment income and realized gains (losses)—Investment income and realized gains (losses) on investments, before federal income taxes, for the years ended December 31 are summarized as shown in Table 5 (in thousands).

TABLE 5

	Investment Income			Gains (Losses) on Investments		
	2002	**2001**	**2000**	**2002**	**2001**	**2000**
Bonds	$ 394,461	$ 360,907	$ 322,204	$ (8,462)	$ (25,788)	$ (17,759)
Preferred stocks	3,022	2,067	1,879	153	(298)	(36)
Common stocks	20,038	19,363	14,802	(123,352)	37,209	38,018
Mortgage loans	86,143	86,768	94,287	(3,811)	(233)	(7,874)
Real estate	74,555	75,485	71,613	473	1,196	3,848
Other invested assets	47,649	48,709	37,832	(64)	398	(2,015)
Investment in unconsolidated affiliates	—	—	—	—	1,288	—
	625,868	593,299	542,617	(135,063)	13,772	14,182
Investment expenses	(62,358)	(64,153)	(63,528)	—	—	—
Decrease (increase) in valuation allowances	—	—	—	3,968	(7,227)	8,389
	$ 563,510	$ 529,146	$ 479,089	$ (131,095)	$ 6,545	$ 22,571

Included in the realized losses are markdowns of available-for-sale securities due to other than temporary declines in the value of the securities. The markdowns totaled $139,672,000 in 2002 and $26,672,000 in 2001. There were no other than temporary markdowns in 2000.

(4) CONCENTRATIONS OF CREDIT RISK ON INVESTMENTS

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 of investment grade and is diversified. The bond portfolio distributed by quality rating at December 31 is summarized as shown in Table 6.

TABLE 6

	2002	**2001**
AAA	13%	8%
AA	6%	11%
A	42%	43%
BBB	29%	26%
BB	4%	4%
Below BB	6%	8%
	100%	100%

Common stock:

American National's stock portfolio by market sector distribution at December 31 is summarized as shown in Table 7.

TABLE 7

	2002	**2001**
Materials	3%	3%
Industrials	9%	8%
Consumer goods	20%	19%
Energy & utilities	11%	10%
Financials	25%	23%
Information technology	10%	11%
Health care	11%	12%
Communications	4%	8%
Mutual funds	7%	6%
	100%	100%

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 at December 31 are summarized as shown in Table 8.

American National has a diversified portfolio of mortgage loans and real estate properties. Mortgage loans and real estate investments by geographic distribution at December 31 are summarized as shown in Table 9.

TABLE 8

	Mortgage Loans		Investment Real Estate	
	2002	**2001**	**2002**	**2001**
Office buildings	16%	17%	12%	15%
Shopping centers	43%	43%	40%	41%
Commercial	4%	4%	2%	2%
Apartments	0%	2%	4%	3%
Hotels/Motels	11%	11%	12%	12%
Industrial	20%	17%	22%	22%
Other	6%	6%	8%	5%
	100%	100%	100%	100%

TABLE 9

	Mortgage Loans		Investment Real Estate	
	2002	**2001**	**2002**	**2001**
New England	6%	7%	—	—
Middle Atlantic	15%	16%	—	—
East North Central	7%	7%	20%	19%
West North Central	2%	2%	14%	16%
South Atlantic	21%	21%	6%	7%
East South Central	2%	1%	14%	13%
West South Central	31%	29%	37%	36%
Mountain	5%	5%	3%	3%
Pacific	11%	12%	6%	6%
	100%	100%	100%	100%

(5) FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated market values of financial instruments have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required in developing the estimates of fair value. Accordingly, these estimates are not necessarily indicative of the amounts that could be realized in a current market exchange, or the amounts that may ultimately be realized. The use of different market assumptions or estimating methodologies could have a material effect on the estimated market values.

Debt securities:

The estimated market values for bonds represent quoted market values from published sources or bid prices obtained from securities dealers.

Marketable equity securities:

Market values for preferred and common stocks represent quoted market prices obtained from independent pricing services.

Mortgage loans:

The market value for mortgage loans is estimated using discounted cash flow analyses based on interest rates currently being offered for comparable loans. Loans with similar characteristics are aggregated for purposes of the analyses.

Policy loans:

The carrying amount for policy loans approximates their market value.

Short-term investments:

The carrying amount for short-term investments approximates their market value.

Investment contracts:

The market value of investment contract liabilities 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 market value.

Notes payable:

The carrying amount for notes payable approximates their market value as such debt is primarily floating rate.

Interest rate swap:

The carrying amount for the interest rate swap is its market value.

Investment commitments:

American National's investment commitments are all short-term in duration, and the market value was not significant at December 31, 2002 or 2001.

Values:

The carrying amounts and estimated market values of financial intruments at December 31 are as shown in Table 10 (in thousands).

TABLE 10

	2002		2001	
	Carrying Amount	Estimated Market Value	Carrying Amount	Estimated Market Value
Financial assets				
Bonds:				
Held-to-maturity	$ 4,497,025	$ 4,821,787	$ 3,811,582	$ 3,937,228
Available-for-sale	1,532,137	1,532,137	1,578,184	1,578,184
Preferred stock	47,385	47,385	50,441	50,441
Common stock	758,298	758,298	889,092	889,092
Mortgage loans on real estate	1,023,564	1,093,241	1,007,993	1,045,659
Policy loans	328,099	328,099	324,545	324,545
Short-term investments	435,463	435,463	255,476	255,476
Financial liabilities				
Investment contracts	2,254,076	2,254,076	1,699,373	1,699,373
Notes payable	204,128	204,128	204,443	204,443
Interest rate swap	1,880	1,880	6,627	6,627

(6) DEFERRED POLICY ACQUISITION COSTS

Deferred policy acquisition costs and premiums for the years ended December 31, 2002, 2001, and 2000 are summarized as shown in Table 11 (in thousands).

TABLE 11

	Life and Annuity	Accident and Health	Property and Casualty	Total
Balance at December 31, 1999	$ 635,222	$ 109,012	$ 14,562	$ 758,796
Additions	132,720	60,838	35,424	228,982
Amortization	(141,591)	(63,518)	(31,680)	(236,789)
Effect of change in unrealized gains on available-for-sale securities	(3,294)	—	—	(3,294)
Net change	(12,165)	(2,680)	3,744	(11,101)
Acquisitions	123	66	—	189
Balance at December 31, 2000	623,180	106,398	18,306	747,884
Additions	101,364	25,229	72,750	199,343
Amortization	(89,751)	(25,480)	(68,858)	(184,089)
Effect of change in unrealized gains on available-for-sale securities	(5,524)	—	—	(5,524)
Net change	6,089	(251)	3,892	9,730
Acquisitions	52,417	5	19,180	71,602
Balance at December 31, 2001	681,686	106,152	41,378	829,216
Additions	134,057	17,234	108,547	259,838
Amortization	(99,077)	(21,947)	(95,208)	(216,232)
Effect of change in unrealized gains on available-for-sale securities	1,498	—	—	1,498
Net change	36,478	(4,713)	13,339	45,104
Acquisitions	113	62	—	175
Balance at December 31, 2002	$ 718,277	$ 101,501	$ 54,717	$ 874,495
2002 Premiums	$ 370,696	$ 408,430	$ 861,696	$ 1,640,822
2001 Premiums	$ 359,376	$ 415,124	$ 666,823	$ 1,441,323
2000 Premiums	$ 356,944	$ 404,973	$ 426,786	$ 1,188,703

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

Acquisitions relate to the purchase of various insurance portfolios under assumption reinsurance agreements and, for the year 2001, the purchase of the Farm Family insurance companies (see Note 14).

(7) FUTURE POLICY BENEFITS AND POLICY ACCOUNT BALANCES

Life insurance:

Assumptions used in the calculation of future policy benefits or policy account balances for individual life policies are summarized as shown in Table 12.

TABLE 12

Policy Issue Year	Interest Rate	Percentage of Future Policy Benefits So Valued
Ordinary		
1996-2002	7.5% for years 1 through 5, graded to 5.5% at the end of year 25, and level thereafter	6%
1981-1995	8% for years 1 through 5, graded to 6% at the end of year 25, and level thereafter	16%
1976-1981	7% for years 1 through 5, graded to 5% at the end of year 25, and level thereafter	11%
1972-1975	6% for years 1 through 5, graded to 4% at the end of year 25, and level thereafter	4%
1969-1971	6% for years 1 through 5, graded to 3.5% at the end of year 30, and level thereafter	4%
1962-1968	4.5% for years 1 through 5, graded to 3.5% at the end of year 15, and level thereafter	6%
1948-1961	4% for years 1 through 5, graded to 3.5% at the end of year 10, and level thereafter	6%
1947 and prior	Statutory rates of 3% or 3.5%	1%
Participating Business Acquired	Level rates of 3% to 5.5%	8%
Industrial		
1948-1967	4% for years 1 through 5, graded to 3.5% at the end of year 10, and level thereafter	3%
1947 and prior	Statutory rates of 3%	3%
Universal Life		
	Future policy benefits for universal life are equal to the current account value	32%
		100%

Future policy benefits for group life policies have been calculated using a level interest rate of 4%. Mortality and withdrawal assumptions are based on American National's experience.

Annuities:

Fixed annuities included in future policy benefits are calculated using a level interest rate of 6%. Mortality and withdrawal assumptions are based on American National's experience. Policy account balances for interest-sensitive annuities are equal to the current gross account balance.

Health Insurance:

Interest assumptions used for future policy benefits on health policies are calculated using a level interest rate of 6%. Morbidity and termination assumptions are based on American National's experience.

During 2001 the Company's evaluation of recoverability and reserve adequacy resulted in the establishment of premium deficiency reserves of $23,436,000. Such reserve charges include $11,087,000 related to the accident and health product line previously distributed through the Company's Multiple Line Marketing segment and $12,349,000 for the long-term care business produced by the Senior Age Marketing segment. No such charges were recorded in 2002 or 2000.

(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 in Table 13 (in thousands).

The balances at December 31 are included in policy and contract claims in the consolidated statements of financial position.

TABLE 13

	2002	2001	2000
Balance at January 1	$ 1,160,510	$ 517,478	$ 278,198
Balance of acquisition	—	221,233	—
Less reinsurance recoverables	582,467	218,412	3,988
Net beginning balance	578,043	520,299	274,210
Incurred related to:			
Current year	998,604	912,133	681,794
Prior years	12,927	(14,147)	6,311
Total incurred	1,011,531	897,986	688,105
Paid related to:			
Current year	603,229	572,903	443,454
Prior years	332,781	267,339	182,085
Total paid	936,010	840,242	625,539
Net balance at December 31	653,564	578,043	336,776
Plus reinsurance recoverables	567,114	582,467	180,702
Balance at December 31	$ 1,220,678	$ 1,160,510	$ 517,478

(9) REINSURANCE

As is customary in the insurance industry, the companies reinsure portions of certain insurance policies they write, thereby providing a greater diversification of risk and managing exposure on larger risks. The maximum amount that would be retained by one company (American National) would be $700,000 individual life, $250,000 individual accidental death, $100,000 group life and $125,000 credit life (total $1,175,000). If individual, group and credit were in force in all companies at the same time, the maximum risk on any one life could be $2,341,500.

American National remains primarily liable with respect to any reinsurance ceded, and would bear the entire loss if the assuming companies were to be unable to meet their obligations under any reinsurance treaties.

To minimize its exposure to significant losses from reinsurer insolvencies, American National evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers. At December 31, 2002, amounts recoverable from reinsurers with a carrying value of $117,019,691 were associated with various auto dealer credit insurance program reinsurers domiciled in the Caribbean islands of Nevis or the Turks and Caicos Islands. American National holds collateral related to these credit reinsurers totaling $87,734,742. This collateral is in the form of custodial accounts controlled by the company, which can be drawn on for amounts that remain unpaid for more than 90 days. American National believes that the failure of any single reinsurer to meet its obligations would not have a significant effect on its financial position or results of operations.

As a result of the September 11, 2001 terrorist attack on the United States, American National recognized losses (primarily on reinsurance assumed) as of December 31, 2001 totaling $239,406,000 with reinsurance in place providing coverage of $218,606,000 on those claims. During 2002 claims were paid and reinsurance recovered which reduced the amount accrued to $188,191,000 with $170,300,000 of reinsurance in place as of December 31, 2002. The net effect of the activity in 2002 was to reduce American National's ultimate net loss for this occurence by approximately $2,900,000. American National has evaluated the reinsurers providing the coverage for these claims and management believes that the net balance of all of the ceded amounts are recoverable. American National believes that the failure of any single reinsurer to meet its obligations for these claims would not have a significant effect on its financial position.

Premiums, premium-related reinsurance amounts and reinsurance recoveries for the years ended December 31 are summarized as shown in Table 14 (in thousands).

Life insurance in force and related reinsurance amounts at December 31 are summarized as shown in Table 15 (in thousands).

TABLE 14

	2002	2001	2000
Direct premiums	$ 1,765,272	$ 1,536,932	$ 1,297,995
Reinsurance premiums assumed from other companies	513,109	433,843	260,214
Reinsurance premiums ceded to other companies	(637,559)	(529,452)	(369,506)
Net premiums	$ 1,640,822	$ 1,441,323	$ 1,188,703
Reinsurance recoveries	$ 399,556	$ 629,905	$ 256,731

TABLE 15

	2002	2001	2000
Direct life insurance in force	$ 55,642,502	$ 53,502,696	$ 47,902,590
Reinsurance risks assumed from other companies	861,159	910,942	873,996
Total life insurance in force	56,503,661	54,413,638	48,776,586
Reinsurance risks ceded to other companies	(16,278,521)	(14,819,652)	(12,573,404)
Net life insurance in force	$ 40,225,140	$ 39,593,986	$ 36,203,182

(10) NOTES PAYABLE

In April 2001, a subsidiary of American National entered into a loan agreement with a bank to borrow $200,000,000. The proceeds of this loan were used in the acquisition of Farm Family Holdings, Inc.(FFH) (See Note 14). The loan called for quarterly interest payments but no principal payments were required until maturity in June 2003. The loan was secured by the stock of FFH and also partially secured by a pledge of fixed maturity investments from American National with a market value of $250,000,000. The loan carried a variable interest rate equal to the six month LIBOR rate plus 0.75%. However, at the time the loan was executed, an interest rate swap agreement was entered into that gave the loan a fixed effective interest rate of 5.58%. This loan was subsequently purchased by American National on January 8, 2003, using cash on hand, effectively retiring the loan and canceling the debt.

The interest rate swap agreement represented a hedge against fluctuations in the interest rate on the loan. The swap agreement represented an obligation with a value of approximately $1,880,000 at December 31, 2002, and $6,627,000 at December 31, 2001. These amounts are reflected in other liabilities on the consolidated statements of financial position. The change in the value of the swap agreement is reflected in stockholders' equity as a component of accumulated other comprehensive income.

At December 31, 2002 other American National subsidiaries had notes payable to third party lenders totaling $4,128,000. These notes are unsecured, have interest rates from 4.5% to 8.5% and maturity's from 2004 to 2006. None of the principal on these notes is due before maturity.

(11) 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 shown in Table 16 (in thousands, except percentages).

TABLE 16

	2002		2001		2000	
	Amount	Rate	Amount	Rate	Amount	Rate
Income tax on pre-tax income	$ 9,392	35.00 %	$ 36,792	35.00 %	$ 72,430	35.00 %
Tax-exempt investment income	(3,416)	(12.73)	(2,808)	(2.67)	(3,956)	(1.91)
Dividend exclusion	(4,629)	(17.25)	(3,243)	(3.09)	(1,247)	(0.60)
Adjustment to deferred taxes	4,599	17.14	—	0.00	—	0.00
Miscellaneous tax credits, net	(1,843)	(6.87)	(2,177)	(2.07)	(2,536)	(1.23)
Losses on foreign operations	3,201	11.93	6,599	6.28	1,476	0.71
Other items, net	2,676	9.97	5,025	4.78	601	0.29
	$ 9,980	37.19 %	$ 40,188	38.23 %	$ 66,768	32.26 %

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2002 and December 31, 2001 are as shown in Table 17 (in thousands).

TABLE 17

	2002	2001
Deferred tax assets:		
Marketable securities, principally due to impairment losses	$ 48,885	$ 9,048
Investment in real estate and other invested assets, principally due to investment valuation allowances	12,983	11,282
Policyholder funds, principally due to policy reserve discount	160,829	166,786
Policyholder funds, principally due to unearned premium reserve	28,514	23,652
Other assets	10,917	3,597
Total gross deferred tax assets	262,128	214,365
Less valuation allowance	(3,000)	(3,000)
Net deferred tax assets	$ 259,128	$ 211,365
Deferred tax liabilities:		
Marketable securities, principally due to net unrealized gains	$ (62,365)	$ (51,525)
Investment in bonds, principally due to accrual of discount on bonds	(14,631)	(33,316)
Deferred policy acquisition costs, due to difference between GAAP and tax	(209,430)	(183,883)
Property, plant and equipment, principally due to difference between GAAP and tax depreciation methods	(6,456)	(7,533)
Non-taxable pension	(13,956)	(14,773)
Net deferred tax liabilities	(306,838)	(291,030)
Total deferred tax	$ (47,710)	$ (79,665)

Management believes that a sufficient level of taxable income will be achieved to utilize the net deferred tax assets.

Through 1983, under the provision of the Life Insurance Company Income Tax Act of 1959, life insurance companies were permitted to defer from taxation a portion of their income (within certain limitations) until and unless it is distributed to stockholders, at which time it was taxed at regular corporate tax rates. No provision for deferred federal income taxes applicable to such untaxed income has been made, because management is of the opinion that no distributions of such untaxed income (designated by federal law as "policyholders' surplus") will be made in the foreseeable future. There was no change in the "policyholders' surplus" between December 31, 2001 and December 31, 2002, and the cumulative balance was approximately $63,000,000 at both dates.

Federal income taxes totaling approximately $52,380,000, $80,985,000 and $114,415,000 were paid to the Internal Revenue Service in 2002, 2001 and 2000, respectively. The statute of limitations for the examination of federal income tax returns through 1998 for American National and its subsidiaries by the Internal Revenue Service has expired. All prior year deficiencies have been paid or provided for, and American National has filed appropriate claims for refunds through 1998. In the opinion of management, adequate provision has been made for any tax deficiencies that may be sustained.

(12) COMPONENTS OF COMPREHENSIVE INCOME

The items included in comprehensive income, other than net income, are unrealized gains on available-for-sale securities (net of deferred acquisition costs), foreign exchange adjustments, the change in fair value of an interest rate swap and subsidiary minimum pension liability adjustment. The details on the unrealized gains included in comprehensive income, and the related tax effects thereon, are as shown in Table 18 (in thousands).

TABLE 18

	Before Federal Income Tax	Federal Income Tax Expense	Net of Federal Income Tax
December 31, 2002			
Unrealized gains	$ 137,895	$ 48,263	$ 89,632
Less: reclassification adjustment for net losses realized in net income	(140,449)	(49,157)	(91,292)
Net unrealized loss component of comprehensive income	$ (2,554)	$ (894)	$ (1,660)
December 31, 2001			
Unrealized losses	$ (119,046)	$ (41,666)	$ (77,380)
Less: reclassification adjustment for net gains realized in net income	11,123	3,893	7,230
Net unrealized loss component of comprehensive income	$ (107,923)	$ (37,773)	$ (70,150)
December 31, 2000			
Unrealized losses	$ (139,180)	$ (48,709)	$ (90,471)
Less: reclassification adjustment for net losses realized in net income	(21,295)	(7,453)	(13,842)
Net unrealized loss component of comprehensive income	$ (160,475)	$ (56,162)	$ (104,313)

(13) STOCKHOLDERS' EQUITY AND MINORITY 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 December 31, were as shown in Table 19.

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, Performance Rewards, Incentive Awards and any combination of these. The number of shares available for grants under the plan cannot exceed 900,000 shares, and no more than 50,000 shares may be granted to any one individual in any calendar year.

TABLE 19

Common stock:	2002	2001	2000
Shares issued	30,832,449	30,832,449	30,832,449
Treasury shares	4,197,617	4,273,617	4,274,284
Restricted shares	155,000	79,000	79,000
Outstanding shares	26,479,832	26,479,832	26,479,165

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. Two awards of restricted stock have been granted, with a total of 136,000 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 was $621,000 in 2002, $342,000 in 2001, and $486,000 in 2000.

The plan provides for the award of Stock Appreciation Rights (SAR). The SAR's 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 $1,545,000, $1,361,000, and $709,000 at December 31, 2002, 2001, and 2000 respectively. Compensation expense was recorded totaling $717,000, $889,000 and $709,000 for the years ended December 31, 2002, 2001, and 2000 respectively.

SAR and Restricted Stock (RS) information for 2002, 2001 and 2000 is shown in Table 20.

TABLE 20

Shares	SAR Shares	SAR Weighted-Average Price per Share	RS Shares	RS Weighted-Average Price per Share
Outstanding at December 31, 1999	81,500	57.00	79,000	13.71
Granted	3,000	61.81	—	—
Exercised	(1,100)	57.00	—	—
Canceled	(1,208)	57.00	—	—
Oustanding at December 31, 2000	82,192	57.18	79,000	13.71
Granted	3,000	80.25	2,000	72.28
Exercised	(10,250)	57.00	(666)	57.00
Canceled	(1,392)	57.00	(1,334)	57.00
Outstanding at December 31, 2001	73,550	58.14	79,000	14.09
Granted	83,000	88.00	76,000	—
Exercised	(18,000)	57.11	—	—
Canceled	—	—	—	—
Outstanding at December 31, 2002	138,550	$ 76.16	155,000	$ 7.18

The weighted-average contractual remaining life for the 138,550 SAR shares outstanding as of December 31, 2002 is 8.4 years. The weighted-average exercise price for these shares is $76.16 per share. Of the shares outstanding, 20,150 are exercisable at a weighted-average exercise price of $57.88 per share.

The weighted-average contractual remaining life for the 155,000 Restricted Stock shares outstanding as of December 31, 2002 is 8.1 years. The weighted-average exercise price for these shares is $7.18 per share. None of the shares outstanding were vested.

Earnings Per Share—Earnings per share for 2002 was calculated using a weighted average number of shares outstanding of 26,479,832. For 2001 and 2000 the weighted-average number of shares outstanding were 26,479,665 and 26,479,165 respectively. In 2002, 2001 and 2000, the restricted stock resulted in an incremental number of shares to be added to the number of shares outstanding of less than 42,000 shares and had no effect on the earnings per share calculation. As a result, diluted earnings per share is equal to the basic earnings per share for 2002, 2001, and 2000.

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 statutory net gain from operations on an annual, non-cumulative basis. 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.

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.

At December 31, 2002, approximately $929,373,000 of American National's consolidated stockholders' equity represents net assets of its insurance subsidiaries. Any transfer of these net assets to American National would be subject to statutory restrictions and approval.

Minority Interests—Two of American National's subsidiaries have preferred stock outstanding to unrelated third parties. These preferred stock issues had a total value of $1,248,000 at December 31, 2002 and carry various terms including cumulative dividends and voting rights as they apply to the subsidiary.

In 2001, American National formed TMNY Investments, LLC (TMNY). Subsequently, TMNY purchased five percent of the common stock of Farm Family Holdings, Inc. from another subsidiary of American National. The purpose of TMNY is to provide certain officers with additional incentive to enhance the profitable growth of the Farm Family companies. Accordingly, shares of TMNY preferred stock representing 66% of the value of the company were granted to various officers of American National and its subsidiaries. The preferred shares can not be sold or otherwise traded by the officers for a period of eight years. The total value of these preferred shares was $984,000 at December 31, 2002.

In 2002, the management agreement between American National and American National County Mutual Insurance Company (County Mutual) was changed, effectively giving complete control of County Mutual to American National. As a result of this change, County Mutual is now included in the consolidated financial statements. The interest that the policyholders of County Mutual have in the financial position of County Mutual is reflected as a minority interest totaling $6,750,000 at December 31, 2002.

(14) ACQUISITION

On April 10, 2001 American National completed the acquisition of Farm Family Holdings, Inc. (FFH), which is the parent company for Farm Family Casualty Company, Farm Family Life Insurance Company and United Farm Family Insurance Company. These insurance companies market and sell personal lines property and casualty and life insurance to the agribusiness market in the northeastern United States.

The purchase price for FFH was $280 million and was paid in cash, funded, in part, through a bank loan of $200 million with the remainder provided by internally generated funds. The acquisition was accounted for by the purchase method of accounting. Accordingly, the results of FFH and its subsidiaries are included in the consolidated statements of income for the nine months since the purchase date in 2001 and for the full year of 2002.

TABLE 21

Assets acquired	
Investments	$ 1,144,636
Deferred acquisition costs	71,671
Cash	35,152
Goodwill	47,539
Other assets	156,609
Total assets acquired	1,455,607
Liabilities assumed	
Benefit reserves	477,684
Policy account balances	411,580
Other liabilities	285,773
Total liabilities assumed	1,175,037
Net purchase price	$ 280,570

The assets and liabilities for FFH were adjusted to reflect fair market value at the purchase date. Goodwill was recognized for the amount of the excess of the purchase price over the fair market value at the date of purchase. The goodwill was amortized during 2001 on a straight line basis using an average life of 11.5 years, producing a total expense of $3,100,000 or $0.12 per share. Without the goodwill amortization expense, net income for 2001 would have been $68,031,000 or $2.57 per share. With the adoption of FAS 142, the goodwill is no longer amortized, however it is subject to annual recoverability analyses. The recoverability analysis for 2002 did not result in any adjustment to the amount of the goodwill which totaled $44,439,000 at December 31, 2002.

A summary of the assets acquired and liabilities assumed in the acquisition are shown in Table 21 (in thousands).

Table 22 presents unaudited pro forma results of operations for the years ended December 31, 2001 and 2000 as if FFH and subsidiaries had been combined with American National as of the beginning of the year. The pro forma results include estimates and assumptions which management believes are reasonable. However, pro forma results do not include any anticipated cost savings or other effects of the acquisition and are not necessarily indicative of the results which may occur in the future.

TABLE 22

	Unaudited Pro Forma Year Ended	
(In thousands, except per share amounts)	**2001**	**2000**
Total revenue	$ 2,219,055	$ 2,147,408
Total benefits and expenses	2,106,692	1,915,137
Earnings (losses) of unconsolidated affiliates	(6,055)	3,049
Income before federal income taxes	106,308	235,320
Federal income tax expense	40,756	76,062
Net income	$ 65,552	$ 159,258
Net income per common share - basic and diluted	$ 2.48	$ 6.01

The FFH income included in the pro forma results for the year 2000 contains a nonrecurring item of $12,746,000.

(15) SEGMENT INFORMATION

American National and its subsidiaries are engaged principally in the insurance business. Management organizes the business around its marketing distribution channels. Separate management of each segment is required because each business unit is subject to different marketing strategies. There are eight operating segments based on the company's marketing distribution channels.

The operating segments are as follows:

Multiple Line Marketing — This segment derives its revenues from the sale of individual life, annuity, accident and health, and property and casualty products marketed through American National, ANTEX, ANPAC, ANGIC, ANPAC Lloyds, Farm Family Life, Farm Family Property and Casualty and United Farm Family.

Home Service Division — This segment derives its revenues from the sale of individual life, annuity and accident and health insurance. In this segment, the agent collects the premiums. This segment includes business in the United States and Mexico.

Independent Marketing — This segment derives its revenues mainly from the sale of life and annuity lines marketed through independent marketing organizations.

Health Division — This segment derives its revenues primarily from the sale of accident and health insurance plus group life insurance marketed through group brokers and third party marketing organizations.

Senior Age Marketing — This segment derives its revenues primarily from the sale of Medicare supplement plans, individual life, annuities, and accident and health insurance marketed through Standard Life and Accident Insurance Company.

Direct Marketing — This segment derives its revenues principally from the sale of individual life insurance, marketed through Garden State Life Insurance Company, using direct selling methods.

Credit Insurance Division — This segment derives its revenues principally from the sale of credit life and credit accident and health insurance.

Capital and Surplus — This segment derives its revenues principally from investment instruments.

All Other — This category comprises segments which are too small to show individually. This category includes non-insurance, reinsurance assumed, and retirement benefits.

All income and expense amounts specifically attributable to policy transactions are recorded directly to the appropriate line of business within each segment. Income and expenses not specifically attributable to policy transactions are allocated to the lines within each segment as follows:

- Net investment income from fixed income assets (bonds and mortgage loans on real estate) is allocated based on the funds generated by each line at the average 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 marketing segments in accordance with the amount of equity invested in each segment, with the remainder going to capital and surplus.
- Expenses are allocated to the lines based upon various factors, including premium and commission ratios within the respective operating segments.
- Gain or loss on the sale of investments is allocated to capital and surplus.
- Equity in earnings of unconsolidated affiliates is allocated to the segment that provided the funds to invest in the affiliate.
- 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 capital and surplus.

Table 23 summarizes net income and various components of net income by operating segment for the years ended December 31, 2002, 2001, and 2000 (in thousands).

TABLE 23

	Premiums and Other Policy Revenue	Net Investment Income and Realized Gains	Expenses and Benefits	Equity in Unconsolidated Affiliates	Gain From Operations Before Federal Income Taxes	Federal Income Tax Expense (Benefit)	Net Income
2002							
Multiple Line Marketing	$ 992,294	$ 165,405	$ 1,111,428	$ —	$ 46,271	$ 15,269	$ 31,002
Home Service Division	212,990	113,582	294,304	—	32,268	10,648	21,620
Independent Marketing	48,252	141,836	182,471	—	7,617	2,514	5,103
Health Division	225,305	9,201	225,326	—	9,180	3,029	6,151
Credit Insurance Division	73,600	17,939	76,454	—	15,085	4,978	10,107
Senior Age Marketing	192,145	19,834	205,853	—	6,126	2,022	4,104
Direct Marketing	32,520	3,508	33,922	—	2,106	695	1,411
Capital & Surplus	1,272	(67,828)	17,620	(6,534)	(90,710)	(28,810)	(61,900)
All Other	30,550	28,938	59,071	(1,525)	(1,108)	(365)	(743)
	$ 1,808,928	$ 432,415	$ 2,206,449	$ (8,059)	$ 26,835	$ 9,980	$ 16,855
2001							
Multiple Line	$ 787,431	$ 144,631	$ 933,066	$ —	$ (1,004)	$ (331)	$ (673)
Home Service Division	212,344	113,384	287,222	—	38,506	12,707	25,799
Independent Marketing	50,045	111,169	157,174	—	4,040	1,333	2,707
Health Division	250,802	8,274	276,458	—	(17,382)	(5,736)	(11,646)
Credit Insurance Division	66,042	17,718	71,753	—	12,007	3,962	8,045
Senior Age Marketing	168,024	17,652	193,258	—	(7,582)	(2,502)	(5,080)
Direct Marketing	29,839	3,413	28,948	—	4,304	1,420	2,884
Capital and Surplus	1,065	90,809	19,376	(8,345)	64,153	26,669	37,484
All Other	33,235	28,641	56,090	2,291	8,077	2,666	5,411
	$ 1,598,827	$ 535,691	$ 2,023,345	$ (6,054)	$ 105,119	$ 40,188	$ 64,931
2000							
Multiple Line	$ 518,271	$ 92,563	$ 596,098	$ —	$ 14,736	$ 4,863	$ 9,873
Home Service Division	212,951	114,397	276,686	—	50,662	16,718	33,944
Independent Marketing	76,236	108,213	176,196	—	8,253	2,723	5,530
Health Division	253,820	8,414	281,837	—	(19,603)	(6,469)	(13,134)
Credit Insurance Division	63,412	16,306	68,466	—	11,252	3,713	7,539
Senior Age Marketing	148,565	17,696	156,970	—	9,291	3,066	6,225
Direct Marketing	28,076	3,906	28,678	—	3,304	1,090	2,214
Capital and Surplus	938	110,688	(264)	100	111,990	35,434	76,556
All Other	30,553	29,477	45,922	2,949	17,057	5,630	11,427
	$ 1,332,822	$ 501,660	$ 1,630,589	$ 3,049	$ 206,942	$ 66,768	$ 140,174

There were no significant non-cash items to report. Substantially all of the consolidated revenues were derived in the United States.

Most of the operating segments provide essentially the same types of products. Table 24 provides revenues within each segment by line of business for the years ended December 31, 2002, 2001, and 2000 (in thousands).

TABLE 24

Total Revenues

	Life	Annuity	Accident and Health	Property and Casualty	Credit	All Other	Total Revenues
2002							
Multiple Line Marketing	$ 204,466	$ 36,636	$ 18,772	$ 897,825	$ —	$ —	$ 1,157,699
Home Service Division	310,532	5,359	10,681	—	—	—	326,572
Independent Marketing	32,433	157,655	—	—	—	—	190,088
Health Division	2,688	—	231,818	—	—	—	234,506
Credit Insurance Division	—	—	—	—	91,539	—	91,539
Senior Age Marketing	30,401	2,537	179,042	—	—	—	211,980
Direct Marketing	35,524	109	395	—	—	—	36,028
Capital & Surplus	—	—	—	—	—	(66,556)	(66,556)
All Other	31,727	14,284	600	—	—	12,876	59,487
	$ 647,771	$ 216,580	$ 441,308	$ 897,825	$ 91,539	$ (53,680)	$ 2,241,343
2001							
Multiple Line	$ 180,079	$ 31,806	$ 18,753	$ 701,424	$ —	$ —	$ 932,062
Home Service Division	310,965	4,300	10,463	—	—	—	325,728
Independent Marketing	20,949	140,265	—	—	—	—	161,214
Health Division	3,904	—	255,172	—	—	—	259,076
Credit Insurance Division	—	—	—	—	83,760	—	83,760
Senior Age Marketing	31,515	2,135	152,026	—	—	—	185,676
Direct Marketing	32,730	120	402	—	—	—	33,252
Capital and Surplus	—	—	—	—	—	91,874	91,874
All Other	31,785	17,217	774	—	—	12,100	61,876
	$ 611,927	$ 195,843	$ 437,590	$ 701,424	$ 83,760	$ 103,974	$ 2,134,518
2000							
Multiple Line Marketing	$ 119,945	$ 16,764	$ 17,772	$ 450,894	$ —	$ —	$ 605,375
Home Service Division	282,140	4,293	9,271	—	—	—	295,704
Independent Marketing	14,191	158,056	—	—	—	—	172,247
Health Division	4,028	—	252,935	—	—	—	256,963
Credit Insurance Division	—	—	—	—	68,642	—	68,642
Senior Age Marketing	30,245	1,623	125,239	—	—	—	157,107
Direct Marketing	31,188	—	219	—	—	—	31,407
Capital & Surplus	—	—	—	—	—	189,373	189,373
All Other	28,510	1,382	905	—	—	26,866	57,663
	$ 510,247	$ 182,118	$ 406,341	$ 450,894	$ 68,642	$ 216,239	$ 1,834,481

The operating segments are supported by the fixed income assets and policy loans. Equity type assets, such as stocks, real estate and other invested assets, are investments of the Capital and Surplus segment. Assets of the non-insurance companies are specifically associated with those companies in the "All other" segment. Any assets not used in support of the operating segments are assigned to Capital and Surplus.

Table 25 summarizes assets by operating segment for the years ended December 31, 2002 and 2001 (in thousands).

The net assets of the Capital and Surplus and All Other segments include investments in unconsolidated affiliates. Almost all of American National's assets are located in the United States of America.

The amount of each segment item reported is the measure reported to the chief operating decision-maker for purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations are made when preparing the financial statements, and allocations of revenues, expenses and gains or losses have been included when determining reported segment profit or loss.

TABLE 25

	2002	2001
Multiple Line Marketing	$ 3,347,199	$ 2,996,688
Home Service Division	1,851,604	1,833,920
Independent Marketing	2,597,365	1,900,552
Health Division	729,344	713,071
Credit Insurance Division	431,618	428,885
Senior Age Marketing	403,879	374,024
Direct Marketing	98,650	90,665
Capital & Surplus	2,015,858	2,279,937
All Other	663,655	640,395
	$ 12,139,172	$ 11,258,137

The reported measures are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the consolidated financial statements.

The results of the operating segments of the business are affected by economic conditions and customer demands. A portion of American National's insurance business is written through one third-party marketing organization. During 2002, approximately 11% of the total premium revenues and policy account deposits were written through that organization, which is included in the Independent Marketing operating segment. This compares with 4% and 10% in 2001 and 2000, respectively. Of the total business written by this one organization, the majority was annuities.

(16) RECONCILIATION TO STATUTORY ACCOUNTING

American National and its insurance subsidiaries are required to file statutory financial statements with state insurance regulatory authorities. Accounting principles used to prepare these statutory financial statements differ from those used to prepare financial statements on the basis of Generally Accepted Accounting Principles. Effective January 1, 2001 new codified statutory accounting principles were adopted. The adoption of the new principles resulted in an increase of $76,814,000 in the statutory capital and surplus as reported in the following tables.

Reconciliation of statutory net income and capital and surplus, as determined using statutory accounting principles, to the amounts included in the accompanying consolidated financial statements, as of and for the years ended December 31, are as shown in Table 26 (in thousands).

TABLE 26

	2002	2001	2000
Statutory net income of insurance companies	$ 413,775	$ 32,070	$ 132,682
Net gain (loss) of non-insurance companies	(111,058)	5,310	(17,524)
Combined net income	302,717	37,380	115,158
Increases/(decreases):			
Deferred policy acquisition costs	43,606	15,254	(7,807)
Policyholder funds	(17,282)	26,188	15,851
Deferred federal income tax benefit	12,071	16,520	16,487
Premiums deferred and other receivables	(90)	(131)	(2,134)
Gain on sale of investments	(297,221)	118	(752)
Change in interest maintenance reserve	6,871	74	(5,904)
Asset valuation allowances	(6,125)	(16,648)	8,388
Investment income	(4,467)	(3,817)	44
Goodwill amortization	—	(3,100)	—
Other adjustments, net	10,678	(582)	(284)
Consolidating eliminations and adjustments	(33,903)	(6,325)	1,127
Net income reported herein	$ 16,855	$ 64,931	$ 140,174

	2002	2001	2000
Statutory capital and surplus of insurance companies	$ 2,483,320	$ 2,415,330	$ 2,309,259
Stockholders equity of non-insurance companies	512,343	504,144	517,805
Combined capital and surplus	2,995,663	2,919,474	2,827,064
Increases/(decreases):			
Deferred policy acquisition costs	874,495	829,216	747,884
Policyholder funds	173,790	197,830	174,874
Deferred federal income taxes	(108,326)	(79,665)	(148,691)
Premiums deferred and other receivables	(87,707)	(87,615)	(82,583)
Reinsurance in “unauthorized companies”	60,129	48,716	45,769
Statutory asset valuation reserve	322,125	362,952	339,963
Statutory interest maintenance reserve	14,244	7,517	4,308
Asset valuation allowances	(27,151)	(37,502)	(30,062)
Investment market value adjustments	102,990	14,302	(56,087)
Non-admitted assets and other adjustments, net	69,238	149,137	204,393
Consolidating eliminations and adjustments	(1,515,761)	(1,388,023)	(1,003,175)
Stockholders’ equity reported herein	$ 2,873,729	$ 2,936,339	$ 3,023,657

In accordance with various government and state regulations, American National and its insurance subsidiaries had bonds with an amortized value of $68,714,000 on deposit with appropriate regulatory authorities.

(17) RETIREMENT BENEFITS

Pension Benefits

American National and its subsidiaries have one active tax-qualified defined-benefit pension plan and one inactive plan. The active plan has three separate programs. One of the programs is contributory and covers home service agents and managers. The other two programs are noncontributory, with one covering salaried and management employees and the other covering home office clerical employees subject to a collective bargaining agreement. The program covering salaried and management employees provides pension benefits that are based on years of service and the employee's compensation during the five years before retirement. The programs covering hourly employees and agents generally provide benefits that are based on the employee's career average earnings and years of service.

The inactive tax-qualified defined-benefit pension plan covers employees of the Farm Family companies hired prior to January 1, 1997. Effective January 1, 1997, benefits through this plan were frozen and no new participants have been added.

American National also sponsors for key executives three non-tax-qualified pension plans that restore benefits that would otherwise be curtailed by statutory limits on qualified plan benefits.

The companies' funding policy for the pension plans is to make annual contributions in accordance with the minimum funding standards of the Employee Retirement Income Security Act of 1974. The unfunded plans will be funded out of general corporate assets when necessary.

Actuarial computations of pension expense (before income taxes) produced a pension cost of $4,071,000 for 2000, $4,924,000 for 2001, and $12,627,000 for 2002.

The pension cost for the years ended December 31, is made up of the following in Table 27 (in thousands):

TABLE 27

	2002	2001	2000
Service cost—benefits earned during period	$ 7,211	$ 6,900	$ 5,212
Interest cost on projected benefit obligation	12,999	10,811	8,927
Expected return on plan assets	(10,960)	(10,600)	(8,940)
Amortization of past service cost	2,921	361	289
Amortization of transition asset	4	(2,616)	(2,619)
Amortization of actuarial loss	452	68	1,202
Total pension cost	$ 12,627	$ 4,924	$ 4,071

Table 28 sets forth the actuarial present value of benefit obligations, the funded status, and the amounts recognized in the consolidated statements of financial position at December 31 for the companies' pension plans (in thousands).

TABLE 28

	2002		2001	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Vested benefit obligation	$ (98,222)	$ (67,764)	$ (86,075)	$ (60,053)
Accumulated benefit obligation	$ (101,432)	$ (67,764)	$ (89,778)	$ (60,053)
Projected benefit obligation	$ (117,496)	$ (84,911)	$ (107,233)	$ (61,365)
Plan assets at fair value (long term securities)	134,604	18,381	134,600	20,240
Funded status:				
Plan assets in excess of projected benefit obligation	17,108	(66,529)	27,367	(41,125)
Unrecognized net loss	13,633	608	7,074	494
Prior service cost not yet recognized in periodic pension cost	—	23,972	—	6,463
Unrecognized net transition asset at January 1 being recognized over 15 years	—	—	—	—
Adjustment required to recognize minimum liability	—	(7,498)	—	(5,632)
Offset for intangible asset	—	7,498	—	5,632
Prepaid pension cost included in other assets or other liabilities	$ 30,741	$ (41,949)	$ 34,441	$ (34,168)

Assumptions used at December 31	2002	2001	2000
Weighted-average discount rate on benefit obligation	6.72%	6.96%	7.40%
Rate of increase in compensation levels	3.86%	4.20%	4.80%
Expected long-term rate of return on plan assets	7.06%	7.14%	7.00%

Health Benefits

American National and its subsidiaries provide certain health and/or dental benefits to retirees. Participation in these plans is limited to current retirees and their dependents who met certain age and length of service requirements. No new participants will be added to these plans in the future.

The primary retiree health benefit plan provides major medical benefits for participants under the age of 65 and Medicare supplemental benefits for those over 65. Prescription drug benefits are provided to both age groups. The plan is contributory, with the company's contribution limited to $80 per month for retirees and spouses under the age of 65 and $40 per month for retirees and spouses over the age of 65. All additional contributions necessary, over the amount to be contributed by American National, are to be contributed by the retirees.

The accrued post-retirement benefit obligation, included in other liabilities, was $8,278,523 and $7,864,000 at December 31, 2002 and 2001, respectively. These amounts were approximately equal to the unfunded accumulated post-retirement benefit obligation. Since American Nationals contributions to the cost of the retiree benefit plans are fixed, the health care cost trend rate will have no effect on the future expense or the accumulated post-retirement benefit obligation.

Other Benefits

Under American National and its subsidiaries' various group benefit plans for active employees, life insurance benefits are provided upon retirement for eligible participants who meet certain age and length of service requirements.

In addition to the defined benefit pension plans, American National sponsors one defined contribution plan for all employees excluding those of the Farm Family companies, and an incentive savings plan for employees of the Farm Family companies. The defined contribution plan (also known as a 401K plan) allows employees to contribute up to the maximum allowable amount as determined by the Internal Revenue Service. American National does not contribute to the defined contribution plan. Company contributions are made under the incentive savings plan for the Farm Family companies, with a discretionary portion based on the profits earned by the Farm Family companies. The expense associated with this plan was $2,270,694 for 2002 and $1,100,000 for 2001.

(18) COMMITMENTS AND CONTINGENCIES

Commitments—American National and its subsidiaries lease insurance sales office space in various cities. The long-term lease commitments at December 31, 2002 were approximately $6,275,000.

In the ordinary course of their operations, the companies also had commitments outstanding at December 31, 2002 to purchase, expand or improve real estate, to fund mortgage loans and to purchase other invested assets aggregating $133,019,000, all of which are expected to be funded in 2003. As of December 31, 2002, all of the mortgage loan commitments have interest rates that are fixed.

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 balance of the loans, management does not foresee any loss on the guarantees. The total amount of the guarantees outstanding as of December 31, 2002 was approximately $148,038,000, while the total cash values of the related life insurance policies was approximately $152,302,000.

Off-Balance-Sheet Contingencies—American National is a partner in numerous real estate joint ventures. A number of these joint ventures have long-term debt to third parties. The amount of the outstanding debt at December 31, 2002 totaled approximately $107,956,000. All of the debt is secured by the real estate in the joint ventures, and is non-recourse to the partners in the joint ventures, including American National. Therefore, the maximum loss that American National could sustain if the joint ventures failed to pay the debt is the amount of the investment in the joint ventures, or approximately $34,646,000 at December 31, 2002.

Litigation—In recent years, various life insurance companies have been named as defendants in class action lawsuits relating to discriminatory practices in life insurance pricing and sales practices. A number of these lawsuits have resulted in substantial settlements across the life insurance industry. American National is a defendant in similar lawsuits. Management believes that American National has meritorious legal defenses against these lawsuits. Therefore, no provision for possible losses on these cases has been recorded in the consolidated financial statements.

American Nationals' subsidiary, Standard Life and Accident Insurance Company is a defendant in a class action lawsuit alleging fraud and misrepresentation involving the benefits to be paid under certain limited-benefit nursing home policies. Management believes that the company has meritorious legal defenses against this lawsuit. Therefore, no provision for possible losses on this case has been recorded in the consolidated financial statements.

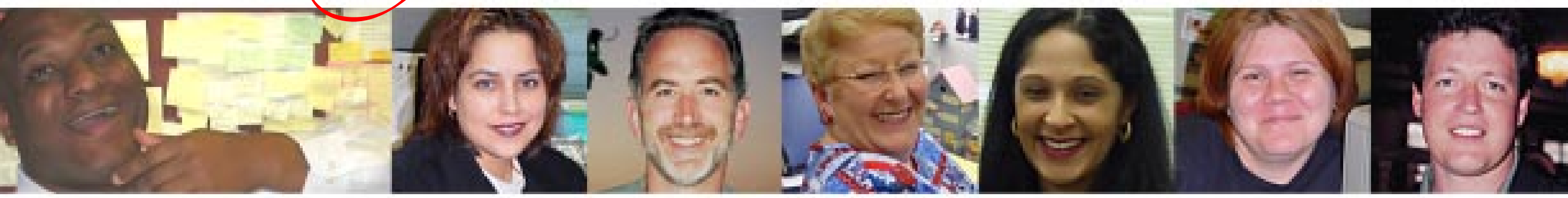
American National and its subsidiary American National Life Insurance Company of Texas are defendants in several lawsuits alleging, among other things, improper calculation and/or cancellation of benefits under certain group health contracts. Class action certification in these lawsuits has been requested by the plaintiffs, but has not yet been granted. Management believes that the companies have meritorious legal defenses against these lawsuits. Therefore, no provision for possible losses on these cases has been recorded in the consolidated financial statements.

American National and its subsidiary American National Life Insurance Company of Texas are defendants in a lawsuit alleging fraud in the sale and pricing of a health insurance policy in Mississippi. Management believes that the companies have meritorious legal defenses against this lawsuit. Therefore, no provision for possible loss on this case has been recorded in the consolidated financial statements.

Based on information currently available, management also believes that amounts ultimately paid, if any, arising from these cases would not have a material effect on the company's results of operations and financial position. However, 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 results.

The companies 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 the companies' 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.

Independent Auditors' Report



To the Stockholders and Board of Directors
American National Insurance Company:

We have audited the accompanying consolidated statements of financial position of American National Insurance Company and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, changes in stockholders' equity, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

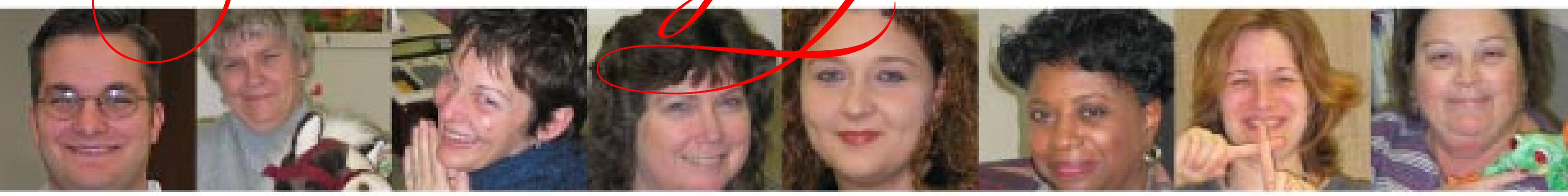
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American National Insurance Company and subsidiaries as of December 31, 2002 and 2001, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for goodwill in 2002.

KPMG LLP
February 10, 2003
Houston, Texas

Ten-Year Financial Highlights



FOR THE YEARS ENDED DECEMBER 31,
(In millions, except per share data and ratios)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Operating Results										
Revenues	$ 2,241	$ 2,135	$ 1,834	$ 1,890	$ 1,745	$ 1,740	$ 1,550	$ 1,471	$ 1,395	$ 1,329
Operating earnings (a)	102	61	125	166	155	182	178	157	156	149
Realized capital gains (b)	(85)	4	15	101	42	66	37	49	59	36
Net income	17	65	140	267	197	248	216	206	215	185
Operating earnings per share (a)	3.86	2.29	4.73	6.26	5.86	6.88	6.74	5.95	5.88	5.65
Realized capital gains per share (b)	(3.22)	0.16	0.56	3.81	1.59	2.50	1.40	1.84	2.24	1.35
Net income per share	0.64	2.45	5.29	10.07	7.45	9.38	8.14	7.79	8.12	7.00
Financial Position										
Assets	$ 12,139	$ 11,258	$ 9,270	$ 9,090	$ 8,816	$ 8,483	$ 7,989	$ 7,140	$ 5,961	$ 5,451
Investments	9,001	8,280	6,990	7,254	7,143	6,982	6,566	5,821	4,811	4,368
Liabilities	9,265	8,322	6,247	6,027	5,901	5,778	5,515	4,819	3,889	3,489
Policyholder liabilities	8,467	7,516	5,590	5,368	5,283	5,261	5,046	4,364	3,520	3,069
Total equity (c)	2,874	2,936	3,023	3,063	2,915	2,705	2,474	2,321	2,072	1,962
Total equity, excluding SFAS 115	2,839	2,926	3,062	3,075	2,884	2,681	2,458	2,291	2,075	—
Insurance Production Information										
Life insurance sales	$ 12,874	$ 11,821	$ 11,487	$ 11,224	$ 10,208	$ 10,091	$ 10,134	$ 10,135	$ 9,520	$ 9,145
Life insurance in force (d)	56,504	54,414	48,777	46,953	44,848	43,805	42,529	41,490	40,070	38,564
Policy account deposits	914	588	325	310	290	392	757	867	455	138
Common Stock Statistics										
Market close	$ 82.02	$ 84.10	$ 73.00	$ 63.75	$ 82.75	$ 93.00	$ 73.75	$ 66.50	$ 47.00	$ 51.25
Book value per share	108.52	110.89	114.19	115.68	110.07	102.17	93.43	87.66	78.26	74.09
Dividends per share	2.96	2.92	2.86	2.78	2.70	2.62	2.54	2.40	2.24	2.08
Shares outstanding (000's) (e)	26,480	26,480	26,479	26,479	26,479	26,479	26,479	26,479	26,479	26,479
Financial Ratios										
Return on equity (f)	0.53 %	(0.3) %	1.2 %	7.6 %	10.4 %	12.2 %	9.5 %	15.1 %	8.7 %	8.6 %
Operating return on equity (g)	3.5 %	2.0 %	4.1 %	5.7 %	5.8 %	7.4 %	7.8 %	7.6 %	7.9 %	8.1 %
Dividend payout (h)	77.1 %	127.8 %	60.5 %	44.5 %	46.1 %	38.1 %	37.7 %	40.3 %	38.1 %	36.8 %
Assets per $100 of liabilities	$ 131	$ 135	$ 148	$ 151	$ 149	$ 147	$ 145	$ 148	$ 153	$ 156

(a) After tax and excluding gains from sale of investments.
(b) After tax gains from sale of investments.
(c) Reflects adoption of SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," at January 1, 1994.
(d) Includes insurance acquired of $4,125 million in 2001.
(e) Number of unrestricted shares outstanding at year end.
(f) Change in total equity before dividends to stockholders divided by total equity at the beginning of the year.
(g) Operating earnings per share divided by book value per share at the beginning of the year adjusted to exclude the effect of SFAS 115.
(h) Total dividends paid to stockholders divided by operating earnings.

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American National Insurance Company
Galveston, Texas

Chairman of the Board
National Western Life Insurance Company
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President
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Galveston, Texas

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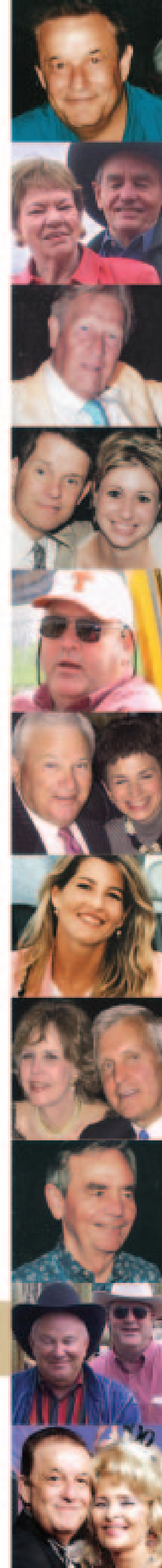
County of Galveston



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American National Insurance Company Texas

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Chairman of the Board and
Chief Executive Officer

G. Richard Ferdinandtsen
President and
Chief Operating Officer

J. Mark Flippin
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Financial Reports

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Illustration Actuary

Gerald A. Schillaci
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Actuary

John O. Norton
Actuary

Richard M. Williams
Life Product Actuary

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Michael E. Hogan
Vice President

Dwight D. Judy
Vice President
Financial Marketing

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Vice President
Credit Insurance/Special Markets

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Gareth W. Tolman
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Corporate Affairs

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General Auditor

Michael S. Nimmons
Assistant Vice President
Associate General Auditor
Home Office

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Corporate Compliance

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Director of
Home Service Division

George W. Williamson
Vice President
Assistant Director
Home Service Division

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Vice President
Home Service Administration

Douglas N. Fullilove
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Director, Agents Employment

Raymond E. Pittman, Jr.
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Vice President
Broker Dealer Marketing

Franklin J. Gerren
Vice President
Payroll Deduction

J. Truitt Smith
Vice President
Pension Sales

Kelly M. Wainscott
Vice President
Alternative Distribution

INDIVIDUAL HEALTH AND GROUP INSURANCE OPERATIONS

Steven H. Schouweiler
Senior Vice President
Health Insurance Operations

Debbie S. Fuentes
Vice President
Health Claims

William H. Watson III
Vice President and
Chief Health Actuary

Joseph F. Grant, Jr.
Vice President
Group Actuary

Charles J. Jones
Vice President
Health Underwriting/
New Business

James P. Stelling
Vice President
Group/Health Compliance

Ronald J. Ostermayer
Assistant Vice President
Director of
Group Quality Assurance

Michael C. Paetz
Assistant Vice President
Director of Group and
MGA Operations

Clarence E. Tipton
Assistant Vice President and
Assistant Actuary

Morris J. Soler
Assistant Vice President
HIPAA Privacy Officer

INVESTMENTS

Michael W. McCroskey
Executive Vice President and
Treasurer

Scott F. Brast
Vice President
Real Estate Investments

David D. Brichler
Vice President
Mortgage Loan Production

Gordon D. Dixon
Vice President
Stocks

Suzanne B. Saunders
Assistant Vice President
Real Estate Services

LIFE CLAIMS

Malcolm L. Waugh, Jr.
Vice President

Bradley W. Manning
Assistant Vice President
General Manager

LIFE POLICY ADMINISTRATION

Albert L. Amato, Jr.
Senior Vice President

E. Bruce Pavelka
Vice President

Nancy M. Day
Assistant Vice President
Pension Administration

James A. Tyra
Assistant Vice President
Life Insurance Systems

LIFE UNDERWRITING

George W. Marchand
Vice President

D. Lanette Leining
Assistant Vice President

MEDICAL DIRECTOR

Harry B. Kelso, Jr.
Vice President and
Medical Director

MULTIPLE LINE

Gregory V. Ostergren
Executive Vice President
Director of Multiple Line

Robert A. Fruend
Executive Vice President
Director of
Multi Line Special Markets

Bernard S. Gerwel
Vice President
Agency Automation

James A. Collura
Vice President
Marketing/Management Development

Robert A. Price
Vice President
Director of Training and
Market Development

Ronald C. Price
Vice President
Chief Life Marketing Officer

Glenn A. Sparks
Vice President
Chief Administrative Officer for
Multiple Line

John D. Ferguson
Assistant Vice President
Creative Services

J. Wayne Cucco
Assistant Vice President
Advanced Life Sales

SYSTEMS PLANNING AND COMPUTING

Charles H. Addison
Senior Vice President

Julian J. Antkowiak
Vice President
Director, Computing Division

Gary W. Kirkham
Vice President
Director of Planning and Support

Meredith M. Mitchell
Vice President
Director of Life/Annuity Systems

Jimmy L. Broadhurst
Assistant Vice President
Director, Individual Health/
Group Systems

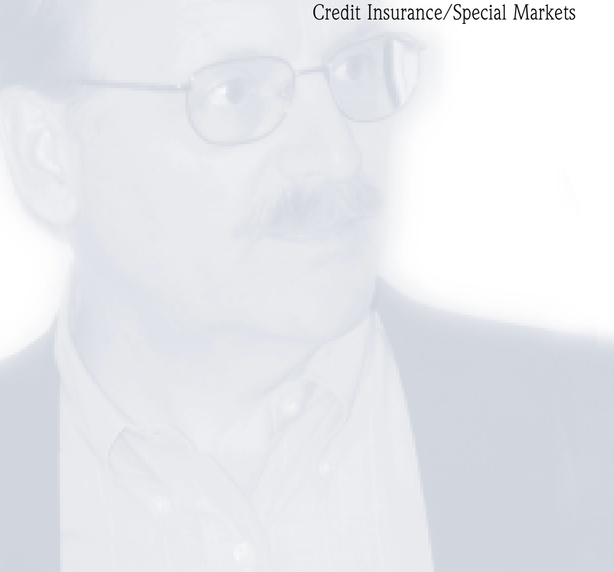
Barbara J. Huerta
Assistant Vice President
Director of Application Development
Financial and Administrative Systems

Kenneth J. Juneau
Assistant Vice President
Director, Advisory Systems Engineer

Roney G. McCrary
Assistant Vice President
Application Development Division

James B. McEniry
Assistant Vice President
Director of Telecommunications

Daniel G. Trevino, Jr.
Assistant Vice President
Director, Computing Services



American National Insurance Company Subsidiaries **State of Domicile**

American National Life Insurance Company of Texas
Texas

DIRECTORS

G. Richard Ferdinandtsen
William L. Moody IV
James E. Pozzi
Steven H. Schouweiler
Ronald J. Welch

OFFICERS

G. Richard Ferdinandtsen
Chairman of the Board
President

Steven H. Schouweiler
Senior Vice President

Ronald J. Welch
Senior Vice President

Albert L. Amato, Jr.
Vice President
Life Policy Administration

David A. Behrens
Vice President

Debbie S. Fuentes
Vice President
Health Claims

Charles J. Jones
Vice President
Health Underwriting and
New Business

George W. Marchand
Vice President
Life Underwriting

James E. Pozzi
Vice President

Glenn A. Sparks
Vice President

Gareth W. Tolman
Vice President

Frank V. Broll, Jr.
Associate Actuary

William H. Watson III
Associate Actuary

J. Mark Flippin
Secretary and Treasurer

Stephen E. Pavlicek
Controller

William F. Carlton
Assistant Controller

Richard T. Crawford
Assistant Controller

James P. Stelling
Assistant Vice President
Health Compliance

Jeanette E. Cernosek
Assistant Secretary

Michael W. McCroskey
Assistant Secretary

Victor J. Krc
Assistant Treasurer

Standard Life and Accident Insurance Company
Oklahoma

DIRECTORS

Charles H. Addison
G. Richard Ferdinandtsen
E. Harrison Martin
Stephen E. Pavlicek
James E. Pozzi
Steven H. Schouweiler
Ronald J. Welch

OFFICERS

G. Richard Ferdinandtsen
Chairman of the Board
President and
Chief Executive Officer

E. Harrison Martin
Executive Vice President and
Chief Marketing Officer

Stephen E. Pavlicek
Vice President and Controller

J. Mark Flippin
Secretary and Treasurer

Albert L. Amato, Jr.
Vice President
Life Policy Administration

Frank V. Broll, Jr.
Vice President

Gordon D. Dixon
Vice President
Investments

Charles J. Jones
Vice President
Health

Debra R. Knowles
Vice President
Marketing Administration

Glenn C. Langley
Vice President
Director of Human Resources

George W. Marchand
Vice President
Life Underwriting

Michael W. McCroskey
Vice President
Investments

Steven H. Schouweiler
Vice President
Claims

Gareth W. Tolman
Vice President,
Corporate Affairs

William H. Watson III
Vice President
Actuary

Debbie S. Fuentes
Assistant Vice President
Health Claims

Anthony A. Gappa
Assistant Vice President
Marketing Operations

OFFICERS *(continued)*

Michael Schumate
Assistant Vice President and
Assistant Actuary

James P. Stelling
Assistant Vice President
Health Compliance

William F. Carlton
Assistant Controller

Richard T. Crawford
Assistant Controller

Jeanette E. Cernosek
Assistant Secretary

Victor J. Krc
Assistant Treasurer

Joseph J. Cantu
Illustration Actuary

Garden State Life Insurance Company
Texas

DIRECTORS

G. Richard Ferdinandtsen
Irwin M. Herz, Jr.
Scott K. Luchesi
Lea McLeod Matthews
William L. Moody V
Edward J. Walsh, Jr.
Ronald J. Welch

ADVISORY DIRECTORS

Albert L. Amato, Jr.
George J. Jones, Jr.
Thomas C. Barker

OFFICERS

Ronald J. Welch
Chairman of the Board

Scott K. Luchesi
President
Chief Executive Officer

J. Mark Flippin
Secretary and Treasurer

Stephen E. Pavlicek
Controller

Albert L. Amato, Jr.
Vice President
Policy Administration

John R. Barrett
Vice President, Marketing

Frank V. Broll, Jr.
Vice President and
Actuary

Gordon D. Dixon
Vice President
Investments

Lee C. Ferrell
Vice President
Business Development

Lee C. Horn
Vice President
Underwriting

Glenn C. Langley
Vice President
Human Resources

Virginia J. Lenaburg
Vice President
Operations

Michael W. McCroskey
Vice President
Investments

Gareth W. Tolman
Vice President
Corporate Affairs

William F. Carlton
Assistant Controller

Richard T. Crawford
Assistant Controller

Jeanette E. Cernosek
Assistant Secretary

Victor J. Krc
Assistant Treasurer

American National Property and Casualty Company
Missouri

DIRECTORS

Charles H. Addison
Robert J. Campbell
G. Richard Ferdinandtsen
Robert A. Fruend
Irwin M. Herz, Jr.
Ross R. Moody
Gregory V. Ostergren
Stephen E. Pavlicek
Ronald J. Welch

OFFICERS

Gregory V. Ostergren
Chairman of the Board
President and
Chief Executive Officer

G. Richard Ferdinandtsen
Vice Chairman of the Board

Robert J. Campbell
Senior Vice President
General Counsel, Secretary

Janet A. Clark
Vice President
Underwriting Services

James M. Cybulski
Controller and Treasurer

Bernard S. Gerwel
Vice President
Marketing Information and
Technology Services

Jerry W. Jones
Vice President
Claims Services

Michael W. McCroskey
Vice President, Investments

Edward J. Messerly
Vice President
Information, General Services

Byron W. Smith
Vice President, Actuarial Services

Glenn A. Sparks
Vice President and
Chief Administrative Officer for
Multiple Line

Deborah A. Foell
Assistant Vice President
Application Development

Jovanna S. Kellough
Assistant Vice President
Human Resources

Linda F. Ward
Assistant Vice President
Corporate Actuary

J. Mark Flippin
Assistant Secretary

Ronald E. Rathbun
Underwriting Compliance
Officer

American National Insurance Company Subsidiaries State of Domicile

Securities Management and Research, Inc.
A Florida Corporation
Texas

DIRECTORS

David A. Behrens
Gordon D. Dixon
G. Richard Ferdinandtsen
R. Eugene Lucas
Michael W. McCroskey
Ronald J. Welch

OFFICERS

Michael W. McCroskey
President
Chief Executive Officer

Gordon D. Dixon
Senior Vice President
Chief Investment Officer

Ronald C. Price
Vice President
Retail Division

Teresa E. Axelson
Vice President
Secretary, Chief Compliance Officer

Brenda T. Koelemay
Vice President
Treasurer
Chief Administrative and
Financial Officer

T. Brett Harrington
Vice President
Fund Marketing

Emerson V. Unger
Vice President
Marketing

Vicki R. Douglas
Assistant Vice President

Steven Douglas Geib
Assistant Vice President

Sally F. Praker
Assistant Vice President

Michele S. Lord
Assistant Secretary

American National de México, Compañía de Seguros de Vida S.A. de C.V.
México

DIRECTORS

Bill J. Garrison
Robert L. Moody, Jr.
G. Richard Ferdinandtsen
Ronald J. Welch
Alberto Elizondo Treviño
David Noel Ramírez Padilla
Carlos Zambrano Plant
Reynelle Cornish González
Sergio Flores Ramos
Luis Santos Theriot (Secretary)
Enrique Yturría García
Salvador Llarena Arriola
(Commissary)
Salvador Llarena Menart
(Alternate Commissary)

OFFICERS

G. Richard Ferdinandtsen
President

Bill J. Garrison
Vice President

Ronald J. Welch
Vice President

J. Mark Flippin
Secretary and Treasurer

Stephen E. Pavlicek
Controller

Mauricio Santos Quintero
Director General

Juan Gerardo González
Director
Sales

Sergio H. Ochoa Rodríguez
Director
Human Resources

Francisco García Pérez
Director
Administration

American National Promotora de Ventas, S.A. de C.V.
México

DIRECTORS

Bill J. Garrison
Robert L. Moody, Jr.
G. Richard Ferdinandtsen
Ronald J. Welch
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David Noel Ramírez Padilla
Carlos Zambrano Plant
Reynelle Cornish González
Sergio Flores Ramos
Luis Santos Theriot (Secretary)
Enrique Yturría García
Salvador Llarena Arriola
(Commissary)
Salvador Llarena Menart
(Alternate Commissary)

OFFICERS

G. Richard Ferdinandtsen
President

Bill J. Garrison
Vice President

Ronald J. Welch
Vice President

J. Mark Flippin
Secretary and Treasurer

Stephen E. Pavlicek
Controller

Mauricio Santos Quintero
Director General

Juan Gerardo González
Director
Sales

Sergio H. Ochoa Rodríguez
Director
Human Resources

Francisco García Pérez
Director
Administration

Servicios de Administración American National, S.A. de C.V.
México

DIRECTORS

Bill J. Garrison
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Carlos Zambrano Plant
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(Commissary)
Salvador Llarena Menart
(Alternate Commissary)

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President

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Vice President

Ronald J. Welch
Vice President

J. Mark Flippin
Secretary and Treasurer

Stephen E. Pavlicek
Controller

Mauricio Santos Quintero
Director General

Juan Gerardo González
Director
Sales

Sergio H. Ochoa Rodríguez
Director
Human Resources

Francisco García Pérez
Director
Administration

American National Insurance Company Subsidiaries State of Domicile

Farm Family Casualty Insurance Company

New York

DIRECTORS

G. Richard Ferdinandtsen
Stephen J. George
Irwin M. Herz, Jr.
Clark W. Hinsdale III
John W. Lincoln
Ross R. Moody
A. Ingrid Moody
Edward J. Muhl
Gregory V. Ostergren
James E. Pozzi
Timothy A. Walsh
Philip P. Weber
Ronald J. Welch

OFFICERS

Gregory V. Ostergren
Chairman of the Board

G. Richard Ferdinandtsen
Vice Chairman of the Board

Timothy A. Walsh
President, Chief Executive Officer and Chief Financial Officer

Philip P. Weber
Executive Regional Director

James J. Bettini
Executive Vice President
Operations

Victoria M. Stanton
Executive Vice President
General Counsel and Secretary

William T. Conine
Senior Vice President
Casualty Operations

Richard E. Long
Senior Vice President
Casualty Claims

Patrick A. Wejrowski
Senior Vice President
Information Services

Barry L. Bablin
Vice President
Actuarial

Michele M. Bartkowski
Vice President
Treasurer

Roy S. Davies
Vice President
Accounting

Gordon D. Dixon
Vice President
Investments

Lewis E. Dufort
Vice President
Marketing

Thomas E. Kelly
Vice President
Casualty Claims

Michael W. McCroskey
Vice President
Investments

Farm Family Life Insurance Company

New York

DIRECTORS

G. Richard Ferdinandtsen
Stephen J. George
Irwin M. Herz, Jr.
Clark W. Hinsdale III
John W. Lincoln
Ross R. Moody
A. Ingrid Moody
Edward J. Muhl
Gregory V. Ostergren
James E. Pozzi
Timothy A. Walsh
Philip P. Weber
Ronald J. Welch

OFFICERS

Gregory V. Ostergren
Chairman of the Board

G. Richard Ferdinandtsen
Vice Chairman of the Board

Timothy A. Walsh
President, Chief Executive Officer and Chief Financial Officer

Philip P. Weber
Executive Regional Director

James J. Bettini
Executive Vice President
Operations

Victoria M. Stanton
Executive Vice President
General Counsel and Secretary

Patrick A. Wejrowski
Senior Vice President
Information Services

Michele M. Bartkowski
Vice President
Treasurer

Roy S. Davies
Vice President
Accounting

Gordon D. Dixon
Vice President
Investments

Lewis E. Dufort
Vice President
Marketing

Kathryn Lentivech
Vice President
Life Actuarial Services

Michael W. McCroskey
Vice President
Investments

United Farm Family Insurance Company

New York

DIRECTORS

G. Richard Ferdinandtsen
Stephen J. George
Irwin M. Herz, Jr.
Clark W. Hinsdale III
John W. Lincoln
Ross R. Moody
A. Ingrid Moody
Edward J. Muhl
Gregory V. Ostergren
James E. Pozzi
Timothy A. Walsh
Philip P. Weber
Ronald J. Welch

OFFICERS

Gregory V. Ostergren
Chairman of the Board

G. Richard Ferdinandtsen
Vice Chairman of the Board

Timothy A. Walsh
President, Chief Executive Officer and Chief Financial Officer

Philip P. Weber
Executive Regional Director

James J. Bettini
Executive Vice President
Operations

Victoria M. Stanton
General Counsel and Secretary

Michele M. Bartkowski
Vice President
Treasurer

Roy S. Davies
Vice President
Accounting

Gordon D. Dixon
Vice President
Investments

Michael W. McCroskey
Vice President
Investments

Family of Companies

AMERICAN NATIONAL INSURANCE COMPANY

A stock life insurance company that offers a broad range of insurance coverages, including individual and group life, health and annuities, and credit insurance.

AMERICAN NATIONAL LIFE INSURANCE COMPANY OF TEXAS

An insurer that markets life and health insurance products through alternative distribution systems.

STANDARD LIFE AND ACCIDENT INSURANCE COMPANY

A life insurer specializing in the marketing of Medicare supplement and other products for the senior market.

GARDEN STATE LIFE INSURANCE COMPANY

A direct response company with sales of life insurance generated through broadcast and print media, as well as through sponsoring organziations.

AMERICAN NATIONAL DE MEXICO, COMPAÑIA DE SEGUROS DE VIDA, S.A. DE C.V.

A Mexican life insurance company specializing in Home Service life products.

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY AND SUBSIDIARIES

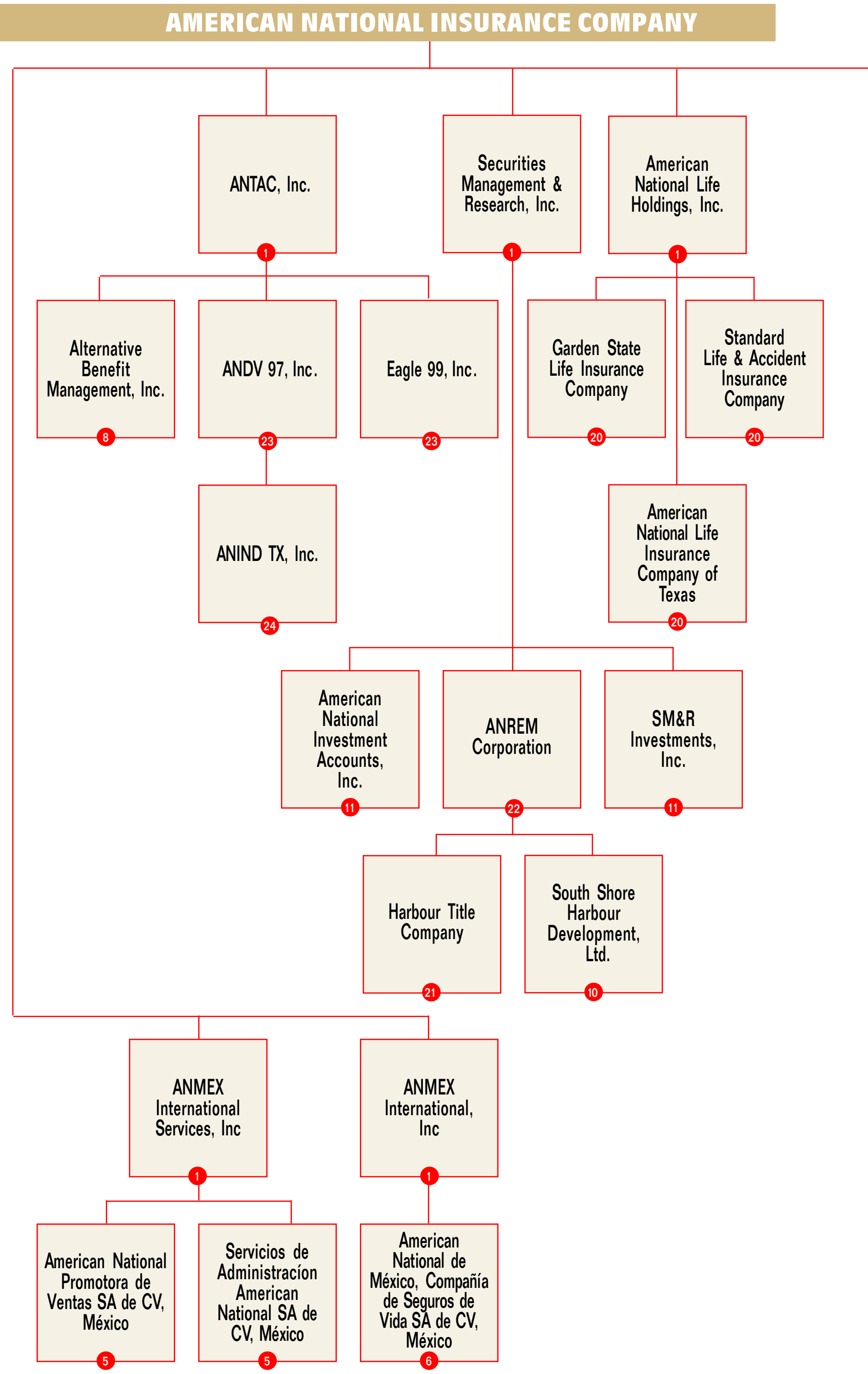
Property and casualty insurers that write primarily auto and homeowners insurance

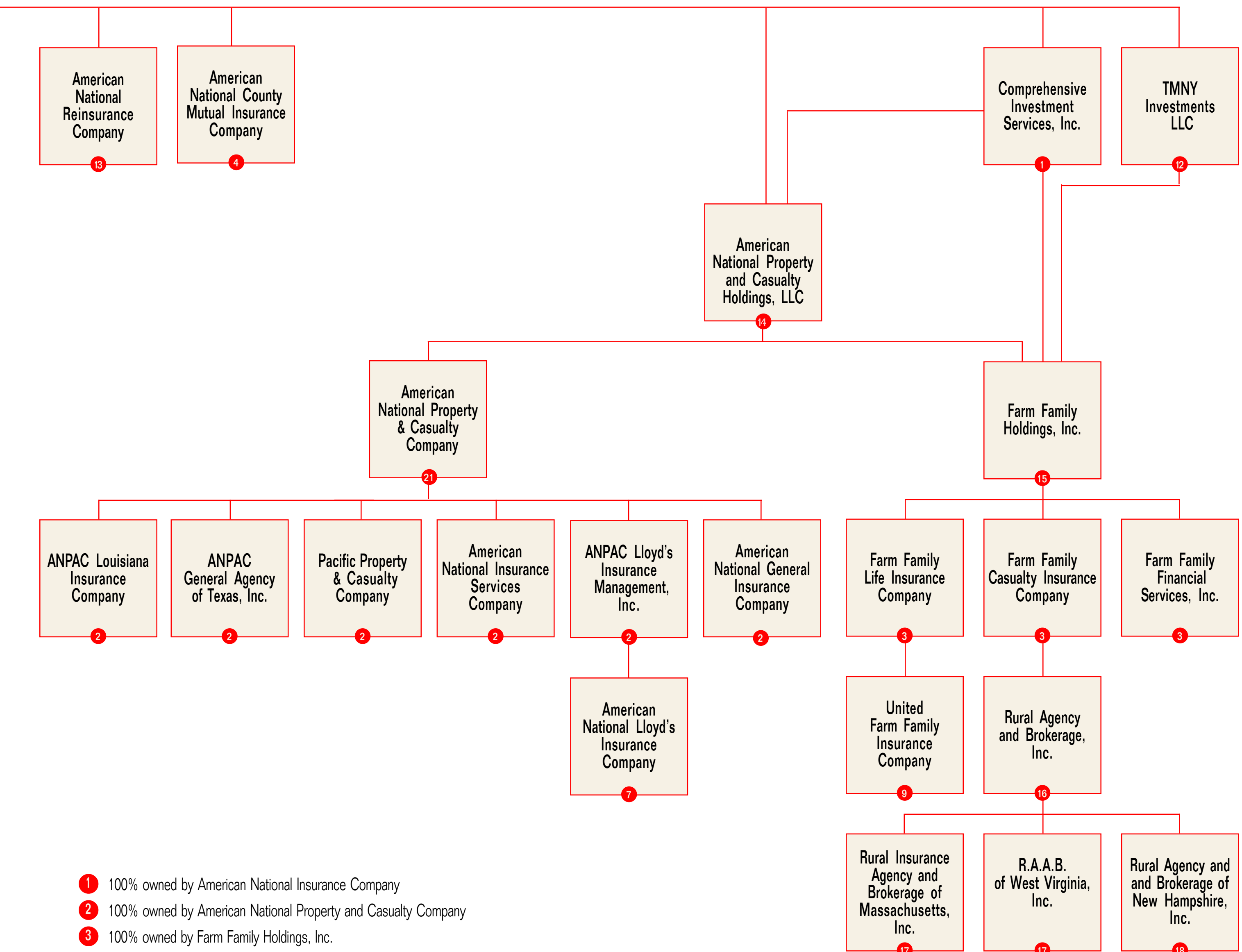
FARM FAMILY HOLDINGS, INC.

Property and casualty and life insurers concentrating on the New York and Northeast U.S. market.

SECURITIES MANAGEMENT AND RESEARCH, INC.

A broker-dealer, member NASD, SIPC, investment advisor.





1 100% owned by American National Insurance Company

2 100% owned by American National Property and Casualty Company

3 100% owned by Farm Family Holdings, Inc.

4 Not a subsidiary company, but managed by American National Insurance Company

5 99.9% owned by ANMEX International Services, Inc. and .1% owned by ANMEX International, Inc.

6 99.9% owned by ANMEX International, Inc. and .1% owned by ANMEX International Services, Inc.

7 Not a subsidiary company, but managed by ANPAC Lloyds Insurance Management, Inc.

8 100% of common stock owned by ANTAC, Inc., while third parties have an ownership interest through preferred stock holdings

9 100% owned by Farm Family Life Insurance Company

10 Not a subsidiary company, but a partnership between ANREM Corporation (5% general partnership interest) and ANTAC, Inc. (95% limited partnership interest)

11 Not subsidiaries, but mutual funds managed by Securities, Management and Research, Inc. ("SM&R) and in which SM&R and/or American National Insurance Company may have start-up and/or other investments from time to time.

12 17% owned by American National, 17% owned by ANPAC and 66% owned by employees.

13 60% owned by American National, 40% owned by independent producer

14 94% owned by American National, 6% owned by Comprehensive Investment Services, Inc.

15 94.3% owned by American National Holdings, LLC, 5% owned by TMNY Investments, LLC, and .7% owned by Comprehensive Investment Services, Inc.

16 100% owned by Farm Family Casualty Insurance Company

17 100% owned by Rural Agency and Brokerage, Inc.

18 75% owned by New Hampshire Farm Bureau Federation, 25% owned by Rural Agency and Brokerage, Inc.

19 50% owned by South Shore Harbour Development Ltd. and 50% owned by third parties

20 100% owned by American National Life Holdings, Inc.

21 100% owned by American National Property and Casualty Holding Company, LLC

22 100% owned by Securities Management and Research, Inc.

23 100% owned by ANTAC, Inc.

24 100% owned by ANDV 97, Inc.

In addition to the entities shown in this chart, American National Insurance Company owns a direct or indirect interest in certain joint ventures and limited partnerships. Such ownership is primarily in connection with real estate investments.

In addition to the entities shown in this chart, American National Insurance Company owns several "shell" companies, which are currently inactive.

Industry Ratings

Best's Rating: A+ (Superior)

A.M. Best Company, independent analysts of the insurance industry since 1899, has awarded American National Insurance Company its rating of A+ (Superior), based on the company's strength and diversity.

Standard and Poor's Rating: AA (Very Strong)

Standard and Poor's has assigned its AA rating of insurer financial strength to American National Insurance Company, reflecting the company's extremely strong capitalization and operating performance, very strong liquidity, and strong market position.

Ratings reflect the publisher's opinion of the relative financial strength and performance of each insurer in comparison to other insurers. They are not a warranty of the current or future ability to meet contractual obligations.

Statement of Equal Employment Opportunity Programs of American National Insurance Company

Recognizing the value of using human resources to their fullest, American National Insurance Company continues its policy of affording equal opportunity for employment to all individuals, regardless of race, age, color, disability, religion, sex, sexual orientation or national origin. This company is basically committed to the principles of equal employment opportunity because of its concern to further the development of human resources.

Forward-Looking Statement

Safe Harbor Statement under The Private Securities Litigation Reform Act of 1995: This Annual Report contains “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are based on American National management’s current knowledge, expectations, estimates, beliefs and assumptions. The forward-looking statements in this Annual Report include, but are not limited to, statements describing the marketing plans of American National. Such forward-looking statements generally include the words “may,” “could,” “should,” “would,” “believe,” “anticipate,” “expect,” “intend,” “plan,” or a similar expression or statement regarding future periods. Readers are hereby cautioned that certain events or circumstances could cause actual results to differ materially from those estimated, projected, or predicted. The forward-looking statements in this Annual Report are not guarantees of future events or performance and are subject to a number of important risks and uncertainties, many of which are outside of American National’s control, that could cause actual results to differ materially. These risks and uncertainties include, but are not limited to: (1) adverse decisions from regulatory authorities; (2) changes in regulatory requirements; (3) the potential occurrence of major disasters; (4) adverse litigation results; (5) competition from existing insurance companies; (6) the volatility of the securities markets; and (7) general economic conditions. Forward-looking statements may also be made in American National’s press releases, as well as by American National’s management in oral statements. American National undertakes no obligation to update or revise any forward-looking statements for events or circumstances after the date on which such statement is made.

Vision

To be a leading provider of

financial products and services for

current and future generations

Mission

To be the company of choice for

insurance and other financial products and services

while maintaining superior financial strength

AMERICAN NATIONAL INSURANCE COMPANY 2002 ANNUAL REPORT

CORPORATE OFFICE

One Moody Plaza
Galveston, Texas 77550-7999
www.anico.com

LEGAL COUNSEL

Greer, Herz & Adams LLP
Galveston, Texas

INDEPENDENT AUDITORS

KPMG LLP
700 Louisiana
Houston, Texas 77002

STOCK TRANSFER AGENT AND REGISTRAR
(SHAREHOLDER INFORMATION)

Communications regarding stock transfer, dividends, lost certificates or changes of address may be directed to:

Mellon Investor Services LLC
85 Challenger Road
Ridgefield Park, NJ 07660
P.O. Box 3315
South Hackensack, NJ 07606

1-888-213-0965

International Shareholders
1-201-329-8660

TDD
1-800-231-5469

TDD International Shareholders
1-201-329-8354
www.melloninvestor.com

AMERICAN NATIONAL