

AMERICAN NATIONAL INSURANCE COMPANY



2007

ANNUAL REPORT

2007

K E Y R E S U L T S

Assets reached \$18,464,869,000, an increase of 3.0% over year-end 2006.

Stockholders' equity reached \$3,736,784,000, or \$140.28 per diluted share.

Net income for 2007 totaled \$240,773,000, or \$9.04 per diluted share.

Life insurance in force totaled \$68,683,066,000,
an increase of 4.1% over year-end 2006.

Dividends are currently paid by American National
at a rate of \$3.08 per share.

The year 2007 was the 97th consecutive year that dividends
have been paid to stockholders.

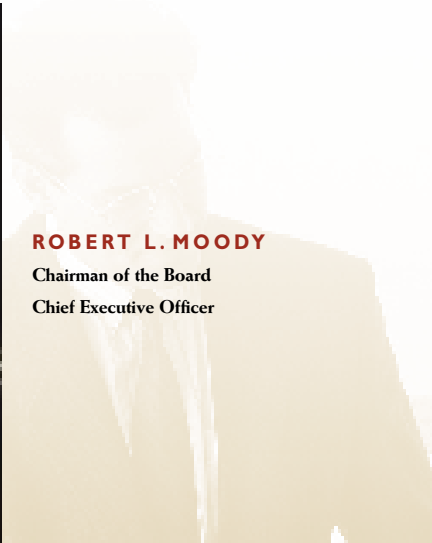


American National





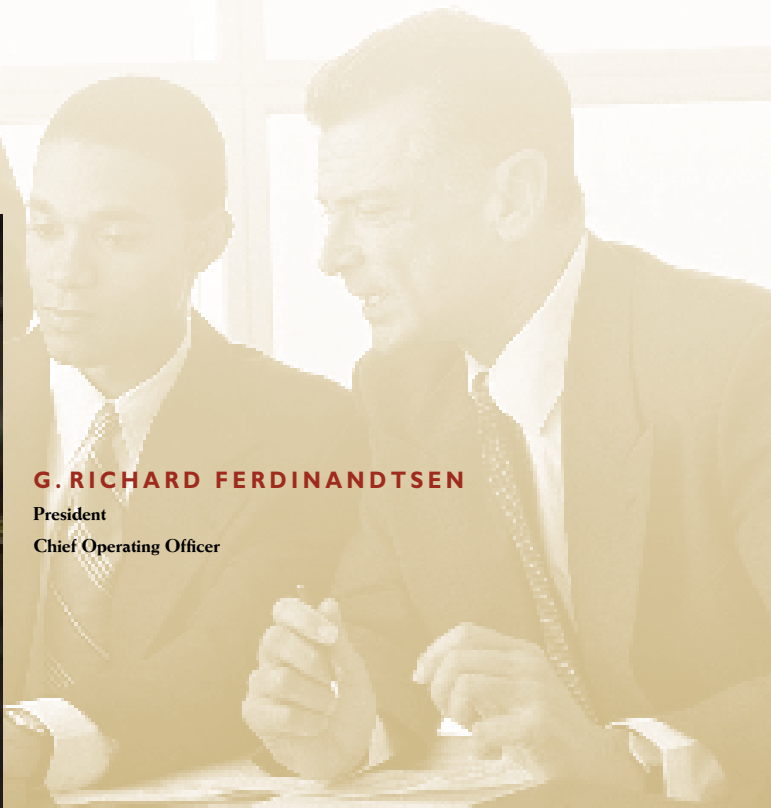
Management Message



Chairman of the Board
Chief Executive Officer



President
Chief Operating Officer





**LIFE INSURANCE AND ANNUITIES ARE CORE
LINES OF BUSINESS FOR AMERICAN NATIONAL.**

Insurance Company

Sound investment and business management enabled American National to produce strong earnings in 2007. Results were supported by a favorable return on a high-quality investment portfolio. At the same time, significant sales growth was experienced in the life and annuity lines. These are typical of the results that have led millions of individuals and small businesses to trust American National to secure their assets and their future.

American National's operations in 2007 were solid and stable, yielding net income of \$240.7 million. Revenues, excluding realized investment gains, increased to \$3.025 billion. Realized investment gains were \$46.5 million for 2007, compared with \$100.3 million for 2006. Net operating gain, excluding realized gains

on investments, increased to \$210.5 million. These solid results led to a 4.5% increase in stockholders' equity, totaling \$3.7 billion.

The Company paid dividends to stockholders for the 97th consecutive year. The amount of the dividend was increased in October to an annual rate of \$3.08 per share. The dividend has been increased 31 times in the last 34 years.

A.M. Best and Standard & Poor's, independent rating agencies, perform comprehensive quantitative and qualitative evaluations of American National and its management strategy. American National continues to be recognized as a strong insurer by both agencies, with an A+ (Superior) rating assigned by A.M. Best and an AA (Very Strong) rating assigned by Standard & Poor's.

STANDARD LIFE & ACCIDENT INSURANCE COMPANY | AMERICAN NATIONAL DE MEXICO, COMPANIA DE SEGUROS DE VIDA S.A. DE C.V. | AMERICAN NATIONAL PROMOTORA DE VENTAS S.A. DE C.V. MEXICO | GARDEN STATE LIFE INSURANCE COMPANY | ANREMI CORPORATION | SECURITIES, MANAGEMENT & RESEARCH, INC. | ALTERNATIVE BENEFIT MANAGEMENT, INC. | COMPREHENSIVE INVESTMENT

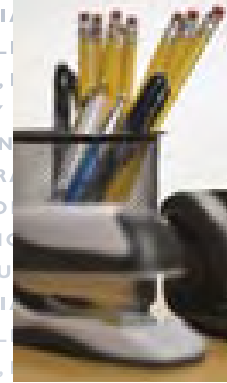


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American National

**AMERICAN NATIONAL EMPHASIZES
RISK MANAGEMENT THROUGHOUT ALL
ITS OPERATIONS.**





Insurance Company

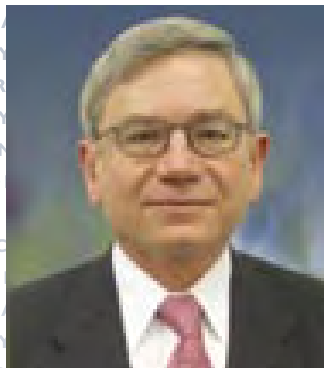
Life insurance and annuities are core lines of business for American National. Weighted life and annuity paid premiums, the Company's measure of sales, increased more than 32% in 2007 from the levels achieved in 2006. Fueling this growth was a 74.5% increase in recurring life sales to \$120.0 million, largely the result of increased sales through independent agents. Total life insurance in force increased 4% during the year reaching \$68.7 billion.

The gain from operations for annuities increased by 12% in 2007, to a total of \$36.9 million. Annuity sales were \$1.1 billion, a 22.8% increase over 2006. Pension plans under administration increased 13.3% to 1,734, with more than 25,000 individuals covered at year-end 2007.

Property/casualty results improved

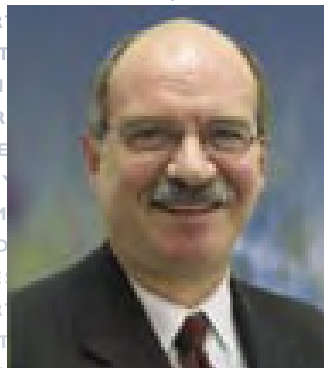
dramatically in 2007, with a 25% increase in gain from operations to a total of \$122.5 million. Multiple Line's property/casualty net written premiums, at \$1.1 billion, were down 2.8% from 2006. An improved and expanded reinsurance program caused a significant part of the decrease, while sales were also impacted by the Company's risk management plan in coastal areas, increased competition and pricing pressures. Multiple Line's overall combined ratio ended the year at 95.1%, an improvement of 2.8% from the 97.9% realized in 2006.

American National emphasizes enterprise risk management throughout all its operations. Risks are monitored continually and improvements are implemented as needed. The most significant threats addressed in 2007 related to underwriting, investment and physical risks.



RONALD J. WELCH

Senior Executive Vice President,
Chief Actuary, Chief Corporate
Risk Management Officer



JAMES E. POZZI

Senior Executive Vice President,
Corporate Planning, Systems
and Life Administration



American National

Active product pricing and informed management of in-force business ensure that policies provide value to the insured as well as to the Company. Products are continually reevaluated and redesigned to ensure they are appropriate in the current environment. Quality reinsurers are selected to mitigate the level of risk in excess of that retained by the Company. The Company's property/casualty reinsurance program was further strengthened during 2007 as more protection was purchased to further mitigate the risk of catastrophic events.

Excellence in the management of risk in American National's investment portfolios was evident during 2007 as the economy became unstable. American National maintains a diversified, high-quality investment portfolio

that excludes direct investment in sub-prime mortgage loans. This prudent investment philosophy enabled American National to avoid the significant write-downs experienced by many companies in the financial services industry.

American National's home office is located on Galveston Island in the Gulf of Mexico, making hurricanes a large threat. The Company maintains substantial operations in Springfield, Missouri and Albany, New York. This insulates the property/casualty operations from coastal catastrophes and provides support for enterprise business continuity. To further strengthen catastrophe preparedness at the Company's Galveston location, American National finalized plans for a remote processing center in San Antonio, Texas. This center will

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**AMERICAN NATIONAL IS COMMITTED
TO PROVIDING COMPETITIVE PRODUCTS
AND EXCEPTIONAL SERVICE TO EARN THE
BUSINESS ENTRUSTED TO US BY OUR FIELD
ASSOCIATES AND POLICYHOLDERS.**

Insurance Company

handle time-sensitive processes that support customers. Additionally, the center is being designed to support other business operations in the event the Galveston area is evacuated due to catastrophic weather. A detailed plan to transition processes to the new center is in progress, with the expectation of initiating operations in mid-2008.

American National has been a publicly traded company since its inception. However, the Company has not incurred the expense of filings with the SEC because of an exemption under the Securities Exchange Act of 1934, applicable to insurance companies. In conjunction with NASDAQ's change in status to a national securities exchange, American National will no longer be able to rely on the exemption. American

National is currently undertaking a significant, costly and accelerated effort to fully implement the provisions of the Sarbanes-Oxley Act in order to prepare for registration with the SEC in the spring of 2009. Management expects these efforts to enable the American National family of companies to more easily prepare Sarbanes-Oxley type certifications that will be required for state regulatory filings beginning in 2010.

American National is committed to providing competitive products and exceptional service to earn the business entrusted to us by our field associates and policyholders. The officers and staff of American National will remain focused on the vision and strategies necessary to continue the Company's long history of profitable growth and solid returns to shareholders.

American National

Investment Issues



MICHAEL W. McCROSKEY
Executive Vice President
and Treasurer

ASSET/LIABILITY MANAGEMENT

Asset/Liability Management (ALM) remains critical to management of today's complex life insurance and annuity products. The Board-chartered ALM Committee monitors the risk profile of the Company through the use of statistical measures such as duration and the modeling of future cash flows using stochastic interest rate scenarios. The use of such modeling allows the Company to determine potential risk areas and to address actionable items to mitigate those risks. A selection process provides a more diverse range of scenarios and allows further examination of the tail risk. The assumptions used in the models are updated as experience emerges on the underlying products.

Fixed-income investments (investment-grade bonds, collateralized mortgage obligations and commercial mortgages) are segmented by product type. These portfolios of segmented assets are maintained to provide empirical support

for ALM modeling and are utilized to determine renewal crediting rates to meet product pricing objectives.

In order to ensure adequate liquidity under any reasonably foreseeable interest rate environment, 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 and each major product type, using cash flow testing, monthly adjustment of crediting rates (both new issue and renewal), and periodic review of product pricing assumptions and product design features.

As part of its asset/liability management program, American National monitors, and may adjust, the composition of fixed maturity securities between Held-to-Maturity and Available-for-Sale as securities are added to the portfolio.

COMMON STOCK PORTFOLIO

American National once again received substantial benefit from its high quality, diversified common stock portfolio (8% of invested assets at the end of 2007). American National continues to monitor the market carefully, and will adjust

Insurance Company



positions within its portfolio as circumstances and a volatile market dictate.

The concentration in equities, higher than most comparable insurers, is possible because of American National's strong capitalization. American National's equity portfolio produced an annualized return of 8.84% for the period from 2002 to 2007.

FIXED MATURITY SECURITIES

As 2007 began, a major concern in the credit markets was leveraged buyouts (LBOs), which raised debt levels and lowered credit ratings of acquired companies. These concerns faded with the onset of a global financial crisis that caused problems in many investment areas, including collateralized debt obligations, asset-backed commercial paper and sub-prime debt. Credit spreads widened across the board, but most acutely in the financial sector. American National did not have any direct investments in sub-prime credit, collateralized debt obligations, or asset-backed commercial paper, which enabled the company to avoid the significant write-downs that occurred across much of the financial services industry. In 2007 American National had a relatively small \$1.2 million in

fixed income other-than-temporary impairments. Below investment grade fixed-income exposure remains modest at 3.89% of total fixed-income investments across the family of companies.

MORTGAGE LOANS AND REAL ESTATE

American National's investment in commercial mortgage loans increased over 12% in 2007, as more than \$360 million in new mortgage loans was funded. Although the portfolio yield continued to decline as new loans with lower market rates replaced older, higher-rate loans, the yield from this asset class was still relatively attractive. Even in the face of this increased level of lending activity, the mortgage loan delinquency rate remained at historically low levels of less than 1%.

American National was once again a net seller of real estate during 2007. Low capitalization rates kept values high, providing opportunities to reposition the Company's real estate holdings. Although American National has no exposure to residential real estate, it appeared at year-end that the developing crisis in that market might impact commercial real estate. As the crisis develops, it may produce buying opportunities during 2008.

American National Consolidated Operations



STEPHEN E. PAVLICEK

Senior Vice President and
Chief Financial Officer

(Dollars in thousands)

2007

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)

2006

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)

Family of Companies

	TOTAL	Capital and Surplus	Independent Marketing Group	Career Sales & Service Division	Multiple Line	Senior Age Marketing	Direct Marketing	Credit Insurance Division	Health Division	All Other
.....	\$ 183,575	\$ 85,807	\$ 36,797	\$ 18,655	\$ 22,852	\$ —	\$ —	\$ 13,305	\$ 3,074	\$ 3,085
.....	17,257	16,344	—	(4,977)	2,445	3,267	4,297	—	(3,767)	(352)
.....	138,263	24,813	—	—	113,450	—	—	—	—	—
.....	(38,603)	(30,468)	—	—	—	1,059	—	—	—	(9,194)
.....	(3,962)	(4,784)	—	—	318	362	43	—	—	99
.....	296,530	91,712	36,797	13,678	139,065	4,688	4,340	13,305	(693)	(6,362)
.....	5,947	3,928	—	—	—	—	—	—	—	2,019
.....	(91,928)	(23,672)	(12,143)	(4,514)	(45,891)	(1,547)	(1,432)	(4,391)	229	1,433
.....	210,549	71,968	24,654	9,164	93,174	3,141	2,908	8,914	(464)	(2,910)
.....	30,224	30,224	—	—	—	—	—	—	—	—
.....	\$ 240,773	\$ 102,192	\$ 24,654	\$ 9,164	\$ 93,174	\$ 3,141	\$ 2,908	\$ 8,914	\$ (464)	\$ (2,910)

.....	\$ 167,795	\$ 100,304	\$ 25,313	\$ 22,608	\$ 26,722	\$ —	\$ —	\$ (2,335)	\$ (6,973)	\$ 2,156
.....	34,274	17,395	—	(5,659)	664	17,404	(1,135)	514	4,229	862
.....	115,341	20,029	—	—	95,312	—	—	—	—	—
.....	(11,347)	(28,170)	—	—	—	(239)	—	—	—	17,062
.....	(8,681)	(9,809)	—	—	1,816	(980)	107	—	—	185
.....	297,382	99,749	25,313	16,949	124,514	16,185	(1,028)	(1,821)	(2,744)	20,265
.....	7,220	6,496	—	—	—	—	—	—	—	724
.....	(96,563)	(31,106)	(8,353)	(5,593)	(41,090)	(5,341)	339	601	906	(6,926)
.....	208,039	75,139	16,960	11,356	83,424	10,844	(689)	(1,220)	(1,838)	14,063
.....	65,192	65,192	—	—	—	—	—	—	—	—
.....	\$ 273,231	\$ 140,331	\$ 16,960	\$ 11,356	\$ 83,424	\$ 10,844	\$ (689)	\$ (1,220)	\$ (1,838)	\$ 14,063

Operations

INDEPENDENT MARKETING GROUP	Life, annuities	American National Insurance Company
MULTIPLE LINE	Life, annuities, property and casualty	American National Insurance Company The American National Property And Casualty Companies The Farm Family Companies
CAREER SALES & SERVICE DIVISION	Life, annuities, health	American National Insurance Company American National de México Compañía de Seguros de Vida
DIRECT MARKETING	Life	Garden State Life Insurance Company
CREDIT INSURANCE DIVISION	Credit life, credit disability, credit-related property and casualty	American National Insurance Company The American National Property And Casualty Companies
SENIOR AGE MARKETING	Life, annuities, health (particularly Medicare supplement)	Standard Life and Accident Insurance Company American National Life Insurance Company of Texas
HEALTH DIVISION	Group life, group health	American National Insurance Company American National Life Insurance Company of Texas Standard Life and Accident Insurance Company



GREGORY V. OSTERGREN

Executive Vice President, Director
MULTIPLE LINE

Chairman, President and C.E.O.
AMERICAN NATIONAL PROPERTY AND
CASUALTY COMPANIES

JAMES W. PANGBURN

Senior Vice President
CREDIT INSURANCE DIVISION

STEVEN H. SCHOUWEILER

Senior Vice President
HEALTH DIVISION

TIMOTHY A. WALSH

President and C.E.O.
FARM FAMILY

Insurance Company

The American National family of companies includes several life insurance, property and casualty insurance and non-insurance entities. Operations are based on seven distribution channels supported by multiple shared services.

INDEPENDENT MARKETING GROUP

(IMG) distributes life insurance and annuities through independent intermediaries, focusing on a higher-income marketplace as well as targeted niche markets, including the small pension plan and payroll deduction arenas. IMG provides excellent products, services and concepts to clients in need of wealth protection, accumulation,

distribution and transfer. This segment markets through financial institutions, large marketing organizations, employee benefit firms, broker-dealers and independent insurance agents.

Total gain from operations for Independent Marketing Group was \$36.8 million in 2007, compared with \$25.3 million in 2006. Sales of life insurance increased dramatically in 2007, with paid annualized premium from new sales totaling \$73.2 million. Annuity sales remained strong with a 26.0% increase in paid premiums, reaching a total of \$1.1 billion in 2007, compared with \$834 million in 2006.



INDEPENDENT MARKETING

(Dollars in thousands)

	LIFE	ANNUITY	TOTAL
2007			
Pre-tax gain from operations	2,685	34,112	36,797
Life insurance in force	5,891,936	—	5,891,936
Paid annualized premium from new sales	73,152	1,050,866	1,124,018
Net retained premiums*	77,173	1,121,588	1,198,761
Revenues	64,802	550,732	615,534
2006			
Pre-tax gain from operations	(4,255)	29,568	25,313
Life insurance in force	4,544,725	—	4,544,725
Paid annualized premium from new sales	12,534	834,000	846,534
Net retained premiums*	29,085	929,584	958,669
Revenues	57,453	428,558	486,011

*Net retained premium consists of total GAAP earned premium plus premium amounts received as policy account deposits.
This definition is true for all amounts labeled as net retained premium in the tables in this report.

**THE RESULT OF FOCUSING ON CLIENT NEEDS
IS A RECORD HIGH 2007 TRI-LINE PERCENTAGE
OF 23.3% FOR THE ANPAC COMPANIES, ONE
OF THE HIGHEST IN THE INDUSTRY.**



THE MULTIPLE LINE DIVISION provides unique products and services, which include life insurance, annuities, financial services and a wide array of personal lines products, agribusiness and targeted commercial insurance products. The division primarily distributes products through multiple line exclusive agents. The result of focusing on client needs is a record high 2007 tri-line percentage of 23.3% for the ANPAC

companies, one of the highest in the industry.

The tri-line percentage represents the portion of clients who purchase protection related to their home, auto and life from the American National family of companies.

Integration of the Farm Family companies into American National's family has allowed the Multiple Line Division to expand its geographic coverage into the Northeast and its product



MULTIPLE LINE MARKETING

(Dollars in thousands)

	LIFE	ANNUITY	ACCIDENT & HEALTH	PROPERTY & CASUALTY	TOTAL
2007					
Pre-tax gain from operations	24,260	2,675	(1,638)	113,768	139,065
Life insurance in force	35,552,941	—	—	—	35,552,941
Paid annualized premium from new sales	25,773	52,885	779	—	79,437
Net written premiums	—	—	—	1,061,383	1,061,383
Net retained premiums	165,144	79,937	12,422	—	257,503
Revenues	204,237	38,121	14,152	1,138,829	1,395,339
2006					
Pre-tax gain from operations	25,136	2,004	246	97,128	124,514
Life insurance in force	33,709,918	—	—	—	33,709,918
Paid annualized premium from new sales	23,811	54,803	753	—	79,367
Net written premiums	—	—	—	1,091,980	1,091,980
Net retained premiums	165,684	83,980	12,926	—	262,590
Revenues	205,434	38,822	14,833	1,190,982	1,450,071



portfolio to include agribusiness. Similarly, Farm Family has expanded its product portfolio to include additional personal lines property/casualty products. During 2007, the Farm Family companies were recognized as the #1 seller of agribusiness in nine of the twelve states in which they operate.

More recently, the Multiple Line Division has begun to attract career life agents and agencies to promote additional life insurance sales.

Life insurance in force for the division increased 5.5% during 2007, reaching \$35.6 billion. Combined life and annuity sales remained steady at \$78.7 million in paid annualized premium, while property/casualty sales declined 2.8% to \$1.1 billion in net written premium

for the year. The decline in property and casualty sales is principally due to the company's Catastrophe Risk Management Plan, including the purchase of additional reinsurance.

Multiple Line's pre-tax gain from operations rose to \$139.1 million, an increase of almost 12% from 2006. These strong earnings can be attributed to a decrease of 2.7 points in the overall property/casualty loss ratio.

THE CAREER SALES & SERVICE DIVISION

(CSSD) primarily serves the lower to middle income markets through employee agents of American National. The division markets life insurance, annuities and limited benefit health insurance products in the United States and life insurance products in Mexico.

CAREER SALES & SERVICE DIVISION

(Dollars in thousands)

	LIFE	ANNUITY	ACCIDENT & HEALTH	TOTAL
2007				
Pre-tax gain from operations	13,150	(245)	773	13,678
Life insurance in force	14,641,012	—	—	14,641,012
Paid annualized premium from new sales	26,495	2,654	968	30,117
Net retained premiums	199,499	4,328	8,885	212,712
Revenues	290,888	3,784	9,876	304,548
2006				
Pre-tax gain from operations	13,320	(262)	3,891	16,949
Life insurance in force	14,500,410	—	—	14,500,410
Paid annualized premium from new sales	28,007	3,145	1,060	32,212
Net retained premiums	202,199	4,348	9,542	216,089
Revenues	294,890	10,551	3,594	309,035

DIRECT MARKETING FOCUSES ON INDIVIDUALS WHO FAVOR PURCHASING INSURANCE DIRECTLY FROM INSURANCE COMPANIES.

CSSD continued to generate solid profits producing a 2007 gain from domestic operations of \$18.7 million. This gain was partially offset by a \$5.0 million loss from operations in Mexico, a slight improvement over the \$5.7 million loss experienced in 2006.

CSSD domestic sales were relatively stable, with \$25.5 million of paid annualized premium in 2007, compared with \$26.6 million in 2006. Due to excellent agent retention and policyholder persistency, CSSD has maintained steady net retained premiums in excess of \$200 million, while the industry has experienced marked declines in this market. Life insurance in force for the division increased to \$14.6 billion in 2007.

DIRECT MARKETING focuses on individuals

who favor purchasing insurance directly from insurance companies. Life insurance products are marketed through the Internet, mail, print and broadcast media.

Direct Marketing returned to profitability in 2007 with a gain from operations of \$4.3 million, compared with a \$1.0 million loss in 2006. A return to normal claim levels was the primary reason for the increase in profits.

Direct Marketing's broadcast advertising program was challenged in 2007 by higher prices and reduced availability of airtime. Partially offsetting the reduction in the broadcast market was a strong increase in Internet sales activities. Overall, the difficult market conditions resulted in a reduction in sales in 2007, producing \$8.3

DIRECT MARKETING

(Dollars in thousands)

	2007	2006
Pre-tax gain from operations	4,340	(1,028)
Life insurance in force	6,128,006	6,175,501
Paid annualized premium from new sales	8,258	9,084
Net retained premiums	40,593	40,130
Revenues	44,864	44,165



SENIOR AGE MARKETING IS WELL KNOWN AND RESPECTED IN THE MEDICARE SUPPLEMENT MARKETPLACE.

million in paid annualized premium, compared with \$9.1 million in 2006.

THE CREDIT INSURANCE DIVISION provides life, disability and property/casualty insurance protection for the repayment of debt in the event of an individual loss. The division distributes its products through general agents who market to financial institutions, automobile dealers and furniture dealers.

Credit insurance sales decreased 27% to \$212.7 million for 2007. This decrease was anticipated as refined product design and pricing was implemented during the year. The Credit Division's gain from operations increased to \$13.3 million, a \$15.1 million increase over the \$1.8 million loss realized during 2006. A significant

improvement in credit property and casualty results and a reduction in costs from industry-wide class-action litigation were the primary reasons for the increase in profits.

SENIOR AGE MARKETING is well known and respected in the Medicare Supplement marketplace. The division also uses independent agents to distribute life insurance, annuities and health insurance products to middle class individuals aged 50 to 85.

Senior Age Marketing experienced reduced sales in recent years as the industry moved toward Medicare Advantage plans and Part D, which redirected much of the agents' focus. American National chose to remain committed to the traditional Medicare Supplement market,

CREDIT INSURANCE DIVISION

(Dollars in thousands)

	2007	2006
Pre-tax gain from operations	13,305	(1,821)
Life insurance in force	4,832,659	5,192,054
Paid annualized premium from new sales	2,816,660	2,818,112
Net retained premiums	164,436	165,151
Revenues	189,509	188,475





resulting in a decrease in the number of Senior Age Marketing policyholders over the past two years. However, this trend started to reverse in 2007, with health sales totaling \$12.7 million for the year, up 146% over 2006.

Senior Age Marketing ended 2007 with a \$4.7 million pre-tax gain from operations, down \$11.5 million from 2006 results. Approximately \$5.0 million of the decline in earnings was due to an increase in the benefit ratio. Increased Medicare Supplement premium refunds also affected 2007 results.

THE HEALTH DIVISION completes American National's portfolio of insurance products. Distribution of the division's health products are typically through associations or

Managing General Underwriters. Several years ago, American National shifted sales away from major medical to limited benefit products. An effort undertaken recently to increase distribution of these products is reflected in 2007 sales, which increased 121% to \$17.8 million.

The Health Division also manages and administers the health products sold by other marketing segments within American National. The combined health business for American National ended 2007 with a loss of \$1.2 million, compared with a gain of \$14.9 million in 2006. The decline in Medicare Supplement business was the primary contributor to the decrease in health profits.

SENIOR AGE MARKETING

(Dollars in thousands)

	LIFE	ANNUITY	ACCIDENT & HEALTH	ALL OTHER	TOTAL
2007					
Pre-tax gain from operations	1,637	365	1,627	1,059	4,688
Life insurance in force	417,488	—	—	—	417,488
Paid annualized premium from new sales	2,175	11,154	12,699	—	26,028
Net retained premiums	16,698	11,263	119,320	—	147,281
Revenues	23,475	5,269	125,307	1,863	155,914
2006					
Pre-tax gain from operations	1,681	1,845	12,898	(239)	16,185
Life insurance in force	435,888	—	—	—	435,888
Paid annualized premium from new sales	2,710	18,466	5,171	—	26,347
Net retained premiums	18,417	18,935	137,887	—	175,239
Revenues	25,310	6,071	145,138	4,311	180,830

American National

Looking Forward



American National is committed to providing value to shareholders and customers by offering products and services that meet and exceed customer expectations. Sound product pricing is supported by quality investments and rigorous in-force policy management to ensure that there is no compromise of the Company's financial strength.

Independent Marketing (IMG) intends to capitalize on existing relationships with national distribution partners to expand annuity sales into New York during 2008. Once established, the division's presence in New York is expected to increase sales of annuities by 5–10%. The Company will maintain its competitive portfolio of annuity and pension products to enable IMG to maintain and expand its presence in the overall annuity marketplace.

A repositioning in the marketplace resulted in the dramatic sales increase for IMG life products in 2007. That growth will be difficult to repeat in 2008 as the Company's competitive position changes. The emphasis on life sales will continue as distribution is strengthened through additional agents, marketing organizations, banks, broker-dealers and employee benefit firms.

Insurance Company



Multiple Line will continue to be a strong contributor to the Company's operating results. Property/casualty sales continue to focus growth in targeted geographic areas and specialized products. Farm Family's signature product, the Special Farm Package, will continue to be a leading seller in the Northeast. Agribusiness sales in other states are expected to show steady growth.

The division provides substantial opportunity to further the growth of the life and annuity lines

by emphasizing industry-leading tri-line sales. Agents will benefit from additional home office support from the life marketing sales director program initiated in 2007 and the availability of advanced sales tools and pension plan services through IMG.

Multiple Line's career life sales will be emphasized through a designed benefits sales program aimed at communicating needs and benefits with potential customers.

The Career Sales and Service Division will

remain a strong contributor to earnings by focusing on policy persistency and expense management. Sales of regular Ordinary insurance are expected to increase during 2008. Further, agent and policyholder persistency will remain strong, allowing the division to maintain a strong base of domestic premium in force.

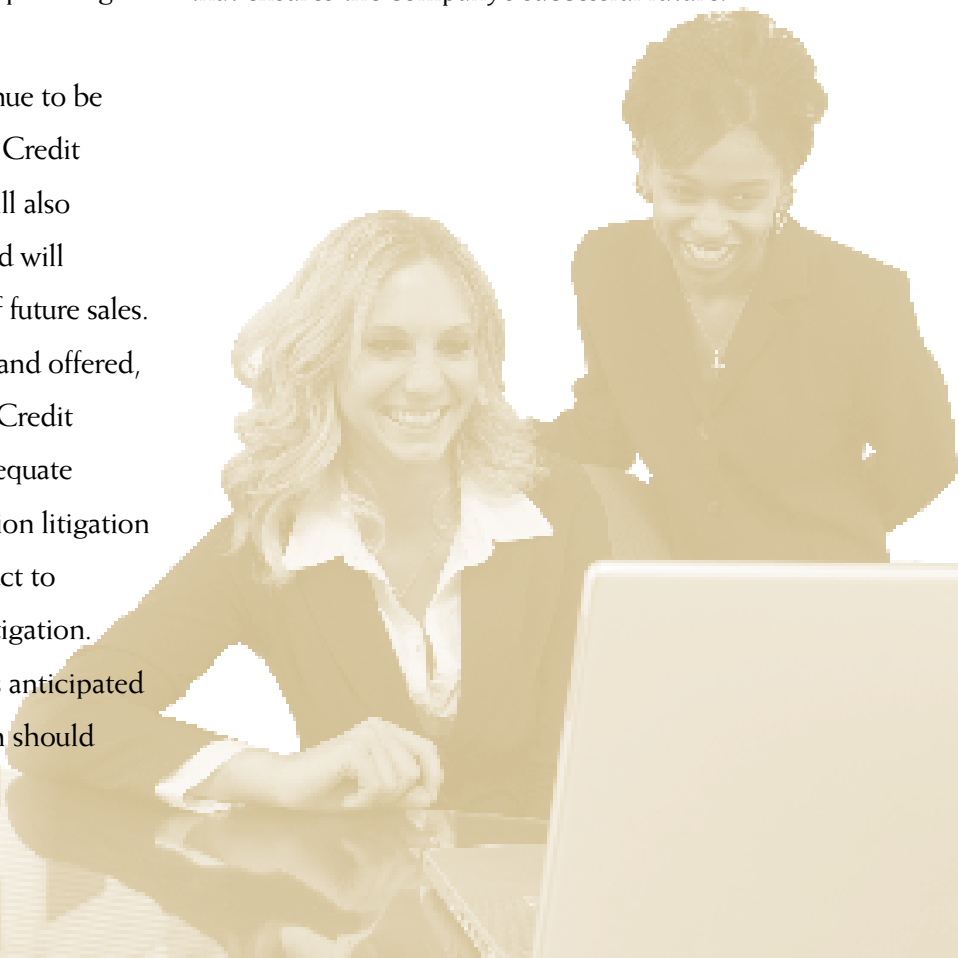
Sales growth is expected through Direct Marketing's Internet and third-party marketing distribution channels. Additional strong national partners were added during 2007, and marketing programs with these partners are expected to significantly increase during 2008. Television sales face continuing challenges, as advertising costs are expected to increase in the upcoming election season.

Life and disability sales will continue to be a strong focus for the Credit division. Credit related property/casualty insurance will also continue to be a major contributor and will continue to account for at least half of future sales. Additional products will be reviewed and offered, if profitable growth is indicated. The Credit Insurance Division has established adequate reserves to cover anticipated class-action litigation expenses in 2008. No additional impact to profitability is anticipated from this litigation.

More government involvement is anticipated in the health insurance market, which should

create opportunities for health insurers. American National will continue to offer traditional Medicare Supplement products and expects sales growth to continue during 2008. Other health products will be considered on a case-by-case basis, in light of current market and regulatory environments as well as management expectations.

American National's vision is to be a leading provider of financial products and services for current and future generations. This requires the company to remain strong and dependable. American National will continue to take the steps necessary to continue the solid, stable growth that ensures the company's successful future.





American National Insurance Company and Subsidiaries Financial Statements

2007

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except for per share data)

	2007	2006	2005
PREMIUMS AND OTHER REVENUE			
Premiums:			
Life.....	\$ 324,646	\$ 336,690	\$ 333,496
Annuity.....	222,748	112,455	64,660
Accident and health.....	283,765	303,285	338,437
Property and casualty.....	1,177,217	1,234,300	1,248,153
Other policy revenues.....	155,230	139,605	131,309
Net investment income.....	813,745	836,665	788,523
Realized gains on investments.....	46,499	100,295	85,077
Other income.....	47,257	51,136	55,819
Total revenues.....	3,071,107	3,114,431	3,045,474
BENEFITS AND EXPENSES			
Death and other benefits:			
Life.....	242,017	251,097	247,557
Annuity.....	150,318	130,830	112,523
Accident and health.....	212,692	227,329	249,877
Property and casualty.....	818,230	881,806	947,438
Increase (decrease) in liability for future policy benefits:			
Life.....	34,348	32,209	22,683
Annuity.....	99,560	4,554	(25,269)
Accident and health.....	(2,852)	(10,554)	(7,307)
Interest credited to policy account balances.....	295,894	297,551	292,074
Commissions for acquiring and servicing policies.....	456,537	423,291	437,614
Other operating costs and expenses.....	404,149	389,217	373,299
Taxes, licenses and fees.....	58,760	61,838	59,798
Decrease (increase) in deferred policy acquisition costs.....	(60,338)	8,501	(25,066)
Minority interest and participating policyholders' share of operations.....	18,763	19,085	23,146
Total benefits and expenses.....	2,728,078	2,716,754	2,708,367
Income from operations before equity in earnings of unconsolidated affiliates and federal income taxes.....	343,029	397,677	337,107
Equity in earnings of unconsolidated affiliates.....	5,947	7,220	5,762
Income from operations before federal income taxes.....	348,976	404,897	342,869
Provision (benefit) for federal income taxes:			
Current.....	82,664	121,082	114,772
Deferred.....	25,539	10,584	(7,782)
Net income.....	\$ 240,773	\$ 273,231	\$ 235,879
Net income per common share – basic.....	\$ 9.09	\$ 10.32	\$ 8.91
Net income per common share – diluted.....	\$ 9.04	\$ 10.27	\$ 8.87

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands)

	December 31, 2007	December 31, 2006
ASSETS		
Investments, other than investments in unconsolidated affiliates:		
Debt securities:		
Bonds held-to-maturity, at amortized cost.....	\$ 6,692,447	\$ 6,789,250
Bonds available-for-sale, at market.....	3,837,988	3,465,405
Marketable equity securities, at market:		
Preferred stocks.....	78,885	70,931
Common stocks.....	1,194,982	1,156,147
Mortgage loans on real estate.....	1,547,207	1,379,344
Policy loans.....	346,002	338,855
Investment real estate, net of accumulated depreciation of \$173,520 and \$166,140.....	477,458	505,623
Short-term investments.....	698,262	714,200
Other invested assets.....	89,791	106,478
Total investments.....	14,963,022	14,526,233
Cash.....	134,069	214,877
Investments in unconsolidated affiliates.....	119,856	69,083
Accrued investment income.....	182,849	174,287
Reinsurance ceded receivables.....	438,066	468,615
Prepaid reinsurance premiums.....	66,772	77,243
Premiums due and other receivables.....	286,600	296,152
Deferred policy acquisition costs.....	1,251,285	1,187,879
Property and equipment, net.....	84,403	81,433
Other assets.....	156,787	187,971
Separate account assets.....	781,160	649,571
Total assets.....	\$ 18,464,869	\$ 17,933,344
LIABILITIES		
Policyholder funds:		
Future policy benefits:		
Life.....	\$ 2,384,818	\$ 2,341,420
Annuity.....	654,595	524,119
Accident and health.....	94,072	98,036
Policy account balances.....	7,636,617	7,513,006
Policy and contract claims.....	1,335,742	1,396,414
Participating policyholder share.....	172,206	167,010
Other policyholder funds.....	977,408	987,092
Total policyholder liabilities.....	13,255,458	13,027,097
Current federal income taxes.....	(3,145)	14,613
Deferred federal income taxes.....	96,104	69,234
Liability for retirement benefits.....	125,664	122,191
Notes payable.....	128,799	124,075
Other liabilities.....	339,506	344,928
Minority interests in subsidiaries.....	4,539	6,012
Separate account liabilities.....	781,160	649,571
Total liabilities.....	14,728,085	14,357,721
STOCKHOLDERS' EQUITY		
Capital stock.....	30,832	30,832
Additional paid-in capital.....	6,080	4,160
Accumulated other comprehensive income.....	145,972	141,869
Retained earnings.....	3,653,365	3,498,306
Treasury stock, at cost.....	(99,465)	(99,544)
Total stockholders' equity.....	3,736,784	3,575,623
Total liabilities and stockholders' equity.....	\$ 18,464,869	\$ 17,933,344

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands, except for per share data)

	2007	2006	2005
COMMON STOCK			
Balance at beginning and end of year	\$ 30,832	\$ 30,832	\$ 30,832
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year.....	4,160	2,212	1,698
Issuance of treasury shares as restricted stock.....	(79)	—	(1,139)
Amortization of restricted stock.....	1,999	1,948	1,653
Balance at end of year.....	6,080	4,160	2,212
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Balance at beginning of year.....	141,869	139,024	214,755
Change in unrealized gains on marketable securities, net.....	268	28,935	(66,956)
Foreign exchange adjustments.....	(17)	36	87
Pension related changes other than net periodic pension cost.....	3,852	8,497	(8,862)
Effect of FAS158 implementation on pension liability, net of tax.....	—	(34,623)	—
Balance at end of year.....	145,972	141,869	139,024
RETAINED EARNINGS			
Balance at beginning of year.....	3,498,306	3,305,523	3,149,156
Net income.....	240,773	273,231	235,879
Cash dividends to common stockholders (\$3.05, \$3.01 and \$2.97 per share).....	(81,531)	(80,448)	(79,315)
Cash dividends to minority stockholders of subsidiaries.....	—	—	(37)
Redemption premium on subsidiary preferred stock.....	—	—	(160)
FIN 48 Implementation.....	(4,183)	—	—
Balance at end of year.....	3,653,365	3,498,306	3,305,523
TREASURY STOCK			
Balance at beginning of year.....	(99,544)	(99,544)	(100,683)
Net issuance of restricted stock.....	79	—	1,139
Balance at end of year.....	(99,465)	(99,544)	(99,544)
STOCKHOLDERS' EQUITY			
Balance at end of year.....	\$ 3,736,784	\$ 3,575,623	\$ 3,378,047

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	2007	2006	2005
Net income.....	\$ 240,773	\$ 273,231	\$ 235,879
Other comprehensive income (loss)			
Change in unrealized gains on marketable securities, net.....	268	28,935	(66,956)
Foreign exchange adjustments.....	(17)	36	87
Pension related changes other than net periodic pension cost.....	3,852	8,497	(8,862)
Total other comprehensive income (loss)	4,103	37,468	(75,731)
Total comprehensive income	\$ 244,876	\$ 310,699	\$ 160,148

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	2007	2006	2005
OPERATING ACTIVITIES			
Net income.....	\$ 240,773	\$ 273,231	\$ 235,879
Adjustments to reconcile net income to net cash provided by operating activities:			
Increase in liabilities for policyholders' funds.....	81,961	95,443	216,075
Decrease in reinsurance ceded receivable.....	30,549	25,320	4,461
Charges to policy account balances.....	(146,555)	(137,802)	(130,219)
Interest credited to policy account balances.....	295,894	297,551	292,074
Deferral of policy acquisition costs.....	(465,362)	(411,141)	(424,550)
Amortization of deferred policy acquisition costs.....	405,024	419,642	399,481
Deferred federal income tax benefit.....	25,539	10,584	(7,782)
Depreciation.....	35,327	38,146	15,046
Accrual and amortization of discounts and premiums.....	15,619	983	6,063
Gain from sale or disposal of investments, net.....	(46,499)	(100,295)	(85,077)
Equity in earnings of unconsolidated affiliates.....	(5,947)	(7,220)	(5,762)
Decrease (increase) in premiums receivable.....	9,552	(17,082)	(28,184)
Decrease (increase) in accrued investment income.....	(8,562)	11,523	(2,985)
Increase to liability for retirement benefits.....	5,963	22,774	20,448
Other changes (net).....	(10,363)	(18,164)	(57,871)
Net cash provided by operating activities	462,913	503,493	447,097
INVESTING ACTIVITIES			
Proceeds from sale or maturity of investments:			
Bonds.....	902,979	1,051,636	1,317,935
Stocks.....	277,429	191,001	242,015
Real estate.....	84,744	153,101	67,155
Other invested assets.....	104,743	94,562	69,266
Principal payments received on:			
Mortgage loans.....	223,956	157,474	207,065
Policy loans.....	5,472	13,085	11,039
Purchases of investments:			
Bonds.....	(1,142,453)	(648,741)	(1,843,744)
Stocks.....	(364,352)	(228,292)	(215,231)
Real estate.....	(46,295)	(2,157)	(15,686)
Mortgage loans.....	(386,137)	(323,207)	(311,768)
Policy loans.....	(10,237)	(20,589)	(19,278)
Other invested assets.....	(50,115)	(22,294)	(101,180)
Decrease (increase) in short-term investments (net).....	19,881	(558,578)	(106,786)
Decrease (increase) in investment in unconsolidated affiliates (net).....	(44,826)	915	(679)
Increase in property and equipment (net).....	(11,459)	(6,752)	(17,730)
Net cash used in investing activities	(436,670)	(148,836)	(717,607)
FINANCING ACTIVITIES			
Policyholders' deposits to policy account balances.....	1,220,022	1,091,608	1,211,864
Policyholders' withdrawals from policy account balances.....	(1,250,266)	(1,195,408)	(925,664)
Increase (decrease) in notes payable.....	4,724	(14,959)	10,531
Dividends to stockholders.....	(81,531)	(80,448)	(79,352)
Net cash provided by (used in) financing activities.....	(107,051)	(199,207)	217,379
NET INCREASE (DECREASE) IN CASH.....	(80,808)	155,450	(53,131)
Cash:			
Beginning of the year.....	214,877	59,427	112,558
End of the year.....	\$ 134,069	\$ 214,877	\$ 59,427

See accompanying notes to consolidated financial statements.

I NATURE OF OPERATIONS

American National Insurance Company and its consolidated subsidiaries (collectively "American National") operate primarily in the insurance industry. Operating on a multiple product line basis, American National offers a broad line of insurance 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 (97%) of revenues is generated by the insurance business. Business is conducted in all states and the District of Columbia, as well as Puerto Rico, Guam and American Samoa. Through a subsidiary, American National also conducts business in Mexico. Various distribution systems are utilized, including home service, multiple line, 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 U.S. Generally Accepted Accounting Principles (GAAP). GAAP for insurance companies differs from the basis of accounting followed in reporting to insurance regulatory authorities.

Certain reclassifications have been made to the 2006 and 2005 financial information to conform to the 2007 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 results reported using those estimates.

ACCOUNTING CHANGES

Stock-based compensation

Financial Accounting Standard (FAS) No. 123 (revised), "Share-Based Payment" was issued in December of 2004. This statement revises the original requirements of FAS No. 123 "Accounting for Stock Based Compensation" to require the recognition of an expense for the cost of services received in exchange for the award of equity based instruments. The expense is to be recognized over the period during which the service must be provided in exchange for the award. This statement is effective as of the beginning of the first fiscal year after June 15, 2005. American National adopted the expensing of share-based payments when the original FAS No. 123 was issued in 1995 and the adoption of the revision on January 1, 2006 did not have a material impact on American National's financial statements.

Accounting changes and error corrections

FAS No. 154, "Accounting Changes and Error Corrections, a Replacement of APB Opinion No. 20 and FASB Statement No. 3" was issued in May of 2005. FAS 154 establishes, unless impracticable, retrospective application as the required method for reporting a voluntary change in accounting principle, or in the absence of explicit transition requirements, for a newly adopted accounting principle. The adoption of this statement on January 1, 2006 did not have a material impact on American National's financial statements.

Pension plan accounting and reporting

FAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" was issued in September of 2006. This statement requires employers to recognize, on the statement of financial position, the overfunded or underfunded status of a defined benefit postretirement plan, measured as the difference between the fair value of plan assets and the benefit obligation. Employers must also recognize as a component of other comprehensive income, net of tax, the actuarial and experience gains and losses and the prior service costs and credits. This statement was effective for public entities for years ending after December 15, 2006. American National adopted this statement as of December 31, 2006. The adoption of this statement did not have a material impact on American National's financial statements.

Accounting for deferred acquisition costs

In September of 2005, the Accounting Standards Executive Committee issued Statement of Position (SOP) No. 05-01, "Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts." This SOP provides guidance on accounting for deferred acquisition costs on internal replacements of insurance contracts. SOP 05-1 is effective for internal replacements occurring in fiscal years beginning after December 15, 2006. American National adopted SOP 05-01 on January 1, 2007. The adoption of SOP 05-01 did not have a material impact on American National's financial statements.

Accounting for hybrid financial instruments

FAS No. 155, "Accounting for Certain Hybrid Financial Instruments – an amendment of FASB Statements No. 133 and 140" was issued in February of 2006. FAS 155 amends FAS 133, "Accounting for Derivative Instruments and Hedging Activities" and FAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." FAS 155 (i) permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, (ii) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133, (iii) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, (iv) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and (v) amends SFAS 140 to eliminate the prohibition on a qualifying special purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. The adoption of FAS 155 on January 1, 2007 did not have a material impact on American National's financial statements.

Accounting for uncertainty in income taxes

In June of 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109." This statement clarifies the criteria for recognizing tax benefits under FASB Statement No. 109, "Accounting for Income Taxes." It also requires additional disclosures about uncertain tax positions. This statement is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 on January 1, 2007 did not have a material impact on American National's financial statements.

Fair Value

In September 2006, the Financial Accounting Standards Board issued FAS No. 157, "Fair Value Measurements" (FAS 157). This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and requires additional disclosures about fair value measurements. Application of this statement to nonfinancial assets and liabilities is required for fiscal years beginning after November 15, 2008. Early adoption of this statement for all fair value measurements is permitted for fiscal years beginning after November 15, 2007. American National adopted FAS No. 157 on January 1, 2008. The adoption of FAS No. 157 did not have a material impact on American National's consolidated financial statements.

In February 2007, the Financial Accounting Standards Board issued FAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115" (FAS 159). This statement permits measuring many financial instruments and certain other items at fair value. This statement is effective for fiscal years beginning after November 15, 2007. American National adopted FAS No. 159 on January 1, 2008. The adoption of FAS No. 159 did not have a material impact on American National's consolidated financial statements.

Accounting for noncontrolling interests

In December 2007, the Financial Accounting Standards Board issued FAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51" (FAS 160). This statement requires changes to the reporting of noncontrolling interests in consolidated financial statements. This statement is effective for fiscal years beginning on or after December 15, 2008, with early adoption prohibited. American National is currently assessing the impact of FAS No. 160.

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.

Derivative instruments and hedging activities

American National purchases derivative instruments only as hedges of the fair value of a recognized asset or liability. All derivatives are carried at fair value. The amount of derivatives at December 31, 2007 and 2006 was immaterial.

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/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, 2007. 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 8.2% of the life insurance in force at December 31, 2007 and 5.4% of life premiums in 2007. Of the total participating business, 69.7% 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 2007. Certain subsidiaries that 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.

American National recognizes tax benefits on uncertain tax positions only if it is more likely than not that the tax position will be sustained by taxing authorities, based on the technical merits of the position. Tax benefits recognized in the financial statements are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Tax benefits not meeting the more likely than not threshold are included with "Other liabilities" in the Consolidated Statements of Financial Position.

Interest expense is classified as "Other operating costs and expenses" in the Consolidated Statements of Income. Penalties, if applicable, are classified as current federal income taxes in the Consolidated Statements of Income.

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

December 31, 2007	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
DEBT SECURITIES				
Bonds held-to-maturity:				
U.S. Government and agencies	\$ 219,804	\$ 1,444	\$ (312)	\$ 220,936
States and political subdivisions	228,122	4,052	(469)	231,705
Foreign governments	5,868	664	—	6,532
Public utilities	411,353	5,985	(4,457)	412,881
All other corporate bonds	5,122,513	89,488	(96,508)	5,115,493
Mortgage-backed securities	704,787	4,542	(11,703)	697,626
Total bonds held-to-maturity	6,692,447	106,175	(113,449)	6,685,173
Bonds available-for-sale:				
U.S. Government and agencies	30,616	501	—	31,117
States and political subdivisions	416,425	3,830	(512)	419,743
Foreign governments	800	—	(23)	777
Public utilities	192,333	8,714	(1,604)	199,443
All other corporate bonds	2,784,555	35,486	(83,992)	2,736,049
Mortgage-backed securities	458,553	2,966	(10,660)	450,859
Total bonds available-for-sale	3,883,282	51,497	(96,791)	3,837,988
Total debt securities	10,575,729	157,672	(210,240)	10,523,161
MARKETABLE EQUITY SECURITIES				
Preferred stock	87,422	1,742	(10,279)	78,885
Common stock	866,371	375,402	(46,791)	1,194,982
Total marketable equity securities.....	953,793	377,144	(57,070)	1,273,867
Total investments in securities.....	\$ 11,529,522	\$ 534,816	\$ (267,310)	\$ 11,797,028
December 31, 2006	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
DEBT SECURITIES				
Bonds held-to-maturity:				
U.S. Government and agencies	\$ 249,294	\$ 124	\$ (6,387)	\$ 243,031
States and political subdivisions	213,993	3,512	(1,166)	216,339
Foreign governments	5,910	568	—	6,478
Public utilities	456,818	5,958	(7,684)	455,092
All other corporate bonds	5,122,533	67,439	(101,608)	5,088,364
Mortgage-backed securities	740,702	2,501	(13,702)	729,501
Total bonds held-to-maturity	6,789,250	80,102	(130,547)	6,738,805
Bonds available-for-sale:				
U.S. Government and agencies	61,540	259	(721)	61,078
States and political subdivisions	293,136	2,062	(1,734)	293,464
Foreign governments	811	—	(22)	789
Public utilities	196,913	8,391	(3,685)	201,619
All other corporate bonds	2,503,262	21,941	(57,954)	2,467,249
Mortgage-backed securities	450,594	1,775	(11,163)	441,206
Total bonds available-for-sale	3,506,256	34,428	(75,279)	3,465,405
Total debt securities	10,295,506	114,530	(205,826)	10,204,210
MARKETABLE EQUITY SECURITIES				
Preferred stock	69,924	1,892	(885)	70,931
Common stock	838,697	344,091	(26,641)	1,156,147
Total marketable equity securities.....	908,621	345,983	(27,526)	1,227,078
Total investments in securities.....	\$ 11,204,127	\$ 460,513	\$ (233,352)	\$ 11,431,288

DEBT SECURITIES

The amortized cost and estimated fair value, by contractual maturity, of debt securities at December 31, 2007, are shown below (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.

	Bonds Held-to-Maturity		Bonds Available-for-Sale	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less.....	\$ 320,762	\$ 322,051	\$ 110,800	\$ 114,886
Due after one year through five years.....	1,996,045	2,029,972	1,057,639	1,055,774
Due after five years through ten years.....	3,140,202	3,107,573	2,111,861	2,065,782
Due after ten years.....	530,749	528,124	129,179	135,618
	5,987,758	5,987,720	3,409,479	3,372,060
Without single maturity date.....	704,689	697,453	473,803	465,928
	\$ 6,692,447	\$ 6,685,173	\$ 3,883,282	\$ 3,837,988

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 below (in thousands).

	2007	2006	2005
Proceeds from sales of available-for-sale securities.....	\$ 166,493	\$ 425,033	\$ 308,763
Gross gains realized.....	34,033	73,541	67,384
Gross losses realized.....	2,069	8,040	4,408
Proceeds from bonds called or otherwise redeemed by the issuer.....	\$ 769,068	\$ 773,399	\$ 1,251,187
Gross gains realized.....	3,973	9,781	7,255
Gross losses realized.....	4,492	557	420

In 2007, securities with an amortized cost of \$27,239,000 were transferred from held-to-maturity to available-for-sale due to evidence of a significant deterioration in the issuers' creditworthiness. An unrealized loss of \$98,000 was established at the time of the transfer.

In 2006, securities with an amortized cost of \$69,631,000 were transferred from held-to-maturity to available-for-sale due to evidence of a significant deterioration in the issuers' creditworthiness. An unrealized loss of \$6,822,000 was established at the time of the transfer.

In 2005, securities with an amortized cost of \$28,014,000 were transferred from held-to-maturity to available-for-sale due to evidence of a significant deterioration in the issuers' creditworthiness. At the time of the transfer, no unrealized gain or loss was recognized.

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

In accordance with various government and state regulations, American National and its insurance subsidiaries had bonds with an amortized value of \$55,109,000 at December 31, 2007, on deposit with appropriate regulatory authorities.

UNREALIZED GAINS AND LOSSES ON SECURITIES

Unrealized gains on marketable equity securities and bonds available-for-sale, presented in the stockholder's equity section of the consolidated statements of financial position, are net of deferred tax liabilities of \$101,244,000, \$101,114,000, and \$84,925,000 for 2007, 2006, and 2005 respectively.

The change in the net unrealized gains on investments for the years ended December 31 are summarized as follows (in thousands):

	2007	2006	2005
Bonds available-for-sale.....	\$ (4,443)	\$ (38,062)	\$ (79,308)
Preferred stocks.....	(9,544)	150	1,748
Common stocks.....	11,161	70,520	(52,753)
Index options.....	—	—	75
Amortization of deferred policy acquisition costs.....	3,080	13,675	24,544
	254	46,283	(105,694)
Provision for federal income taxes.....	(130)	(16,189)	36,894
	\$ 124	\$ 30,094	\$ (68,800)
Change in unrealized gains of investments attributable to participating policyholders' interest.....	144	(1,159)	1,844
Total.....	\$ 268	\$ 28,935	\$ (66,956)

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position are summarized as follows (in thousands):

December 31, 2007	Less than 12 months		12 months or more		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Bonds held-to-maturity:						
U.S. Government and agencies	\$ 110	\$ 110,254	\$ 202	\$ 38,697	\$ 312	\$ 148,951
States and political subdivisions	252	217,143	217	19,208	469	236,351
Public utilities	12	17,070	4,445	185,592	4,457	202,662
All other corporate bonds	12,911	262,789	83,597	2,612,728	96,508	2,875,517
Mortgage-backed securities	813	66,636	10,890	478,611	11,703	545,247
Total held-to-maturity	14,098	673,892	99,351	3,334,836	113,449	4,008,728
Bonds available-for-sale:						
U.S. Government and agencies	—	8,053	—	—	—	8,053
States and political subdivisions	336	366,116	176	38,309	512	404,425
Foreign governments	—	—	23	777	23	777
Public utilities	(1,953)	4,604	3,557	129,595	1,604	134,199
All other corporate bonds	7,728	164,151	76,264	1,469,709	83,992	1,633,860
Mortgage-backed securities	185	1,381,105	10,475	338,970	10,660	1,720,075
Total available-for-sale	6,296	1,924,029	90,495	1,977,360	96,791	3,901,389
Total debt securities	20,394	2,597,921	189,846	5,312,196	210,240	7,910,117
Marketable equity securities:						
Preferred stock	10,279	64,223	—	—	10,279	64,223
Common stock	46,791	472,595	—	—	46,791	472,595
Total marketable equity securities	57,070	536,818	—	—	57,070	536,818
Total investments in securities	\$ 77,464	\$ 3,134,739	\$ 189,846	\$ 5,312,196	\$ 267,310	\$ 8,446,935

December 31, 2006	Less than 12 months		12 months or more		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Bonds held-to-maturity:						
U.S. Government and agencies	\$ 2,860	\$ 85,999	\$ 3,527	\$ 140,028	\$ 6,387	\$ 226,027
States and political subdivisions	42	160,064	1,124	54,089	1,166	214,153
Public utilities	809	84,292	6,875	177,338	7,684	261,630
All other corporate bonds	4,951	589,254	96,657	2,876,138	101,608	3,465,392
Mortgage-backed securities	730	109,273	12,972	513,568	13,702	622,841
Total held-to-maturity	9,392	1,028,882	121,155	3,761,161	130,547	4,790,043
Bonds available-for-sale:						
U.S. Government and agencies	484	46,448	237	14,527	721	60,975
States and political subdivisions	110	135,118	1,624	141,488	1,734	276,606
Foreign governments	—	—	22	789	22	789
Public utilities	(1,692)	1,417	5,377	123,381	3,685	124,798
All other corporate bonds	4,296	428,920	53,658	1,665,177	57,954	2,094,097
Mortgage-backed securities	52	34,967	11,111	359,931	11,163	394,898
Total available-for-sale	3,250	646,870	72,029	2,305,293	75,279	2,952,163
Total debt securities	12,642	1,675,752	193,184	6,066,454	205,826	7,742,206
Marketable equity securities:						
Preferred stock	885	60,226	—	—	885	60,226
Common stock	26,641	360,457	—	—	26,641	360,457
Total marketable equity securities	27,526	420,683	—	—	27,526	420,683
Total investments in securities	\$ 40,168	\$ 2,096,435	\$ 193,184	\$ 6,066,454	\$ 233,352	\$ 8,162,889

Bonds

American National evaluates all bonds that have unrealized losses on a quarterly basis to determine if the creditworthiness of any of the bonds has deteriorated to a point that would prevent American National from realizing the full amount at maturity. For those bonds where management believes that the full amount will not be realized, an other-than-temporary impairment is recorded. On all other bonds where management does not believe there is a credit problem, American National has the ability and intent to hold these bonds until a market price recovery or maturity and, therefore, these bonds are not considered to be other-than-temporarily impaired.

Marketable equity securities

American National evaluates all marketable equity securities on a quarterly basis and recognizes an other-than-temporary impairment on all of those where fair value is less than 80% of book value for nine consecutive months or more. All securities which have an unrealized loss are also evaluated for credit quality, and impairments are recognized for any securities, regardless of the length of time that they have had an unrealized loss, where management believes the carrying value will not be realized. For the remaining securities with unrealized losses, management believes the losses are temporary, and American National has the ability and intent to hold these securities until a market price recovery.

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, 2007, mortgage loans have fixed rates from 5.15% to 12.00% and variable rates from 5.75% to 9.00%. The majority of the mortgage loan contracts require periodic payments of both principal and interest, and have amortization periods of 3 years to 30 years.

American National has investments in first lien mortgage loans on real estate with carried values of \$1,547,207,000 and \$1,379,344,000 at December 31, 2007 and 2006, respectively. Problem loans, on which valuation allowances were established, totaled \$9,394,000 and \$9,693,000 at December 31, 2007 and 2006, respectively. The valuation allowances on those loans totaled \$1,053,000 at both December 31, 2007 and 2006.

POLICY LOANS

All of American National's policy loans carried interest rates ranging from 4.00% to 8.00% at December 31, 2007.

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 follows (in thousands):

	Investment Income			Gains (Losses) on Investments		
	2007	2006	2005	2007	2006	2005
Bonds	\$ 620,035	\$ 610,268	\$ 590,117	\$ 366	\$ 3,192	\$ (8,737)
Preferred stocks	4,561	3,356	3,107	—	(6)	110
Common stocks	27,002	28,641	23,457	23,913	62,872	64,805
Mortgage loans	103,627	104,052	100,727	—	—	—
Real estate	126,926	151,099	107,725	24,035	26,888	9,510
Other invested assets	41,770	57,034	63,386	(40)	92	17,480
Investment in unconsolidated affiliates	—	—	—	—	—	—
	923,921	954,450	888,519	48,274	93,038	83,168
Investment expenses	(110,176)	(117,785)	(99,996)	—	—	—
Decrease (increase) in valuation allowances	—	—	—	(1,775)	7,257	1,909
	\$813,745	\$836,665	\$788,523	\$ 46,499	\$100,295	\$ 85,077

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 \$7,166,000 in 2007, \$8,667,000 in 2006, and \$13,633,000 in 2005.

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 diversified and of investment grade. The bond portfolio distributed by quality rating at December 31 is summarized at right:

	2007	2006
AAA	20%	20%
AA	10%	10%
A	36%	40%
BBB	29%	26%
BB	2%	2%
Below BB	3%	2%
	100%	100%

COMMON STOCK

American National's stock portfolio by market sector distribution at December 31 is summarized as follows:

	2007	2006
Materials	3%	3%
Industrials	8%	9%
Consumer goods	19%	18%
Energy and utilities	13%	11%
Financials	24%	28%
Information technology	13%	11%
Health care	11%	10%
Communications	3%	4%
Mutual funds	6%	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 follows:

	Mortgage Loans		Investment Real Estate	
	2007	2006	2007	2006
Office buildings	25%	24%	20%	20%
Shopping centers	24%	30%	23%	21%
Commercial	9%	7%	1%	2%
Hotels/motels	15%	17%	2%	2%
Industrial	24%	19%	43%	44%
Other	3%	3%	11%	11%
	100%	100%	100%	100%

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 as follows:

	Mortgage Loans		Investment Real Estate	
	2007	2006	2007	2006
New England	7%	7%	—	—
Middle Atlantic	11%	10%	—	—
East North Central	15%	13%	6%	10%
West North Central	3%	2%	2%	1%
South Atlantic	16%	12%	17%	17%
East South Central	4%	5%	11%	11%
West South Central	23%	28%	60%	58%
Mountain	5%	6%	1%	1%
Pacific	16%	17%	3%	2%
	100%	100%	100%	100%

5 FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair 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 fair values.

DEBT SECURITIES

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

MARKETABLE EQUITY SECURITIES

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

MORTGAGE LOANS

The fair 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 fair value, because the policy loans cannot be separated from the policy contract.

SHORT-TERM INVESTMENTS

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

INVESTMENT CONTRACTS

The fair 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 fair value.

NOTES PAYABLE

The carrying amount for notes payable approximates their fair value.

INVESTMENT COMMITMENTS

American National's investment commitments are all short-term in duration, and the fair value was not significant at December 31, 2007 or 2006.

VALUES:

The carrying amounts and estimated fair values of financial instruments at December 31 are as follows (in thousands):

	2007		2006	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
FINANCIAL ASSETS				
Bonds:				
Held-to-maturity	\$ 6,692,447	\$ 6,685,173	\$ 6,789,250	\$ 6,738,805
Available-for-sale	3,837,988	3,837,988	3,465,405	3,465,405
Preferred stock	78,885	78,885	70,931	70,931
Common stock	1,194,982	1,194,982	1,156,147	1,156,147
Mortgage loans on real estate	1,547,207	1,549,488	1,379,344	1,390,372
Policy loans	346,002	346,002	338,855	338,855
Short-term investments	698,262	698,262	714,200	714,200
FINANCIAL LIABILITIES				
Investment contracts	5,927,300	5,927,300	5,841,358	5,841,358
Notes payable	128,799	128,799	124,075	124,075

6 DEFERRED POLICY ACQUISITION COSTS

Deferred policy acquisition costs and premiums for the years ended December 31, 2007, 2006, and 2005 are summarized as follows (in thousands):

	Life and Annuity	Accident and Health	Property and Casualty	Total
Balance at December 31, 2004.....	\$ 934,860	\$ 92,883	\$ 105,288	\$ 1,133,031
Additions.....	170,016	17,830	236,704	424,550
Amortization.....	(154,296)	(18,917)	(226,268)	(399,481)
Effect of change in unrealized gains on available-for-sale securities.....	24,544	—	—	24,544
Net change.....	40,264	(1,087)	10,436	49,613
Foreign exchange effect.....	69	—	—	69
Balance at December 31, 2005.....	\$ 975,193	\$ 91,796	\$ 115,724	\$ 1,182,713
Additions.....	151,023	16,799	243,319	411,141
Amortization.....	(158,848)	(22,929)	(237,865)	(419,642)
Effect of change in unrealized gains on available-for-sale securities.....	13,675	—	—	13,675
Net change.....	5,850	(6,130)	5,454	5,174
Foreign exchange effect.....	(8)	—	—	(8)
Balance at December 31, 2006.....	\$ 981,035	\$ 85,666	\$ 121,178	\$ 1,187,879
Additions.....	216,660	18,735	232,138	467,533
Amortization.....	(156,017)	(24,508)	(224,499)	(405,024)
Effect of change in unrealized gains on available-for-sale securities.....	3,080	—	—	3,080
Net change.....	63,723	(5,773)	7,639	65,589
Acquisitions.....	(2,170)	—	—	(2,170)
Foreign exchange effect.....	(13)	—	—	(13)
Balance at December 31, 2007.....	\$ 1,042,575	\$ 79,893	\$ 128,817	\$ 1,251,285
2007 premiums.....	\$ 547,394	\$ 283,765	\$ 1,177,217	\$ 2,008,376
2006 premiums.....	\$ 449,145	\$ 303,285	\$ 1,234,300	\$ 1,986,730
2005 premiums.....	\$ 398,156	\$ 338,437	\$ 1,248,153	\$ 1,984,746

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.

Acquisition costs for American National's Mexican subsidiary are maintained in their functional currency of Mexican pesos, and translated into U.S. dollars for reporting purposes. Part of the change in deferred acquisition cost balance is due to differences in the exchange rate applied to the balance from period to period. The entire amount of this difference is reported in the shareholders' equity section of the balance sheet.

7 FUTURE POLICY BENEFITS AND POLICY ACCOUNT BALANCES

LIFE INSURANCE

Assumptions used in the calculation of future policy benefits or policy account balances for life policies are as follows:

Policy Issue Year	Interest Rate	Percentage of Future Policy Benefits So Valued
Ordinary		
2006+	Level rate of 6%	1%
1996-2005	7.5% for years 1 through 5, graded to 5.5% at the end of year 25, and level thereafter	10%
1981-1995	8% for years 1 through 5, graded to 6% at the end of year 25, and level thereafter	17%
1976-1980	7% for years 1 through 5, graded to 5% at the end of year 25, and level thereafter	5%
1972-1975	6% for years 1 through 5, graded to 4% at the end of year 25, and level thereafter	3%
1969-1971	6% for years 1 through 5, graded to 3.5% at the end of year 30, and level thereafter	3%
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	4%
1947 and prior	Statutory rates of 3% or 3.5%	1%
Participating business acquired	Level rates of 2.5% to 6%	9%
Industrial		
1948-1979	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%	2%
Universal Life		
	Future policy benefits for universal life are equal to the current account value	36%
		100%

Future policy benefits for group life policies have been calculated using level interest rates ranging from 3% to 5.5%. 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 5%. 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 graded interest rates ranging from 3.5% to 8%. Morbidity and termination assumptions are based on American National's experience.

8 LIABILITY FOR UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

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

	2007	2006	2005
Balance at January 1	\$ 1,308,603	\$ 1,359,452	\$ 1,275,405
Less reinsurance recoverables	421,737	454,872	455,395
Net beginning balance	886,866	904,580	820,010
Incurred related to:			
Current year	1,073,249	1,085,736	1,191,939
Prior years	(93,524)	(29,238)	(70,435)
Total incurred	979,725	1,056,498	1,121,504
Paid related to:			
Current year	636,234	645,777	706,105
Prior years	336,799	428,435	330,829
Total paid	973,033	1,074,212	1,036,934
Net balance at December 31	893,558	886,866	904,580
Plus reinsurance recoverables	363,140	421,737	454,872
Balance at December 31	\$ 1,256,698	\$ 1,308,603	\$ 1,359,452

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

Estimates for ultimate incurred losses and loss adjustment expenses attributable to insured events of prior years has decreased by approximately \$94,000,000 in 2007 and \$29,000,000 in 2006 as a result of reestimation of unpaid losses and loss adjustment expenses. This change is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

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 \$2,444,000.

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, 2007, amounts recoverable from reinsurers with a carrying value of \$38,502,912 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 reinsurers totaling \$36,727,326. 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.

American National had amounts receivable from reinsurers totaling \$438,066,000 at December 31, 2007. Of this total, \$19,400,000 represents amounts that are the subject of litigation or are in dispute with the reinsurers involved. Management believes these disputes will not have a significant effect on American National's financial position.

Premiums, premium-related reinsurance amounts and reinsurance recoveries for the years ended December 31 are summarized as follows (in thousands):

	2007	2006	2005
Direct premiums.....	\$ 2,134,669	\$ 2,117,722	\$ 2,123,294
Reinsurance premiums assumed from other companies.....	176,357	198,116	199,835
Reinsurance premiums ceded to other companies.....	(302,650)	(329,108)	(338,383)
Net premiums.....	\$ 2,008,376	\$ 1,986,730	\$ 1,984,746
Reinsurance recoveries.....	\$ 198,553	\$ 591,731	\$ 373,579

Life insurance in force and related reinsurance amounts at December 31 are summarized as follows (in thousands):

	2007	2006	2005
Direct life insurance in force.....	\$ 67,604,695	\$ 65,008,408	\$ 63,194,458
Reinsurance risks assumed from other companies.....	1,078,371	982,412	856,414
Total life insurance in force.....	68,683,066	65,990,820	64,050,872
Reinsurance risks ceded to other companies.....	(29,635,648)	(26,557,877)	(23,903,319)
Net life insurance in force.....	\$ 39,047,418	\$ 39,432,943	\$ 40,147,553

10 NOTES PAYABLE

At December 31, 2007, American National's real estate holding companies were partners in affiliates that had notes payable to third-party lenders totaling \$128,799,000. These notes have interest rates ranging from 5.15% to 8.07% and maturities from 2008 to 2014. Each of these notes is secured by the real estate owned through the respective affiliated entity, and American National's liability for these notes is limited to the amount of its investment in the respective affiliate, which totaled \$18,950,000 at December 31, 2007.

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 follows (in thousands, except percentages):

	2007			2006			2005		
	Amount	Rate		Amount	Rate		Amount	Rate	
Income tax on pre-tax income.....	\$ 122,141	35.00	%	\$ 141,714	35.00	%	\$ 120,004	35.00	%
Tax-exempt investment income	(6,360)	(1.82)		(5,187)	(1.28)		(4,652)	(1.36)	
Dividend exclusion	(6,589)	(1.89)		(7,028)	(1.74)		(5,797)	(1.69)	
Miscellaneous tax credits, net.....	(3,862)	(1.11)		(2,284)	(0.56)		(1,099)	(0.32)	
Losses on foreign operations	—	—		1,967	0.49		2,526	0.74	
Other items, net	2,872	0.82		2,484	0.61		(3,992)	(1.16)	
	\$ 108,202	31.00	%	\$ 131,666	32.52	%	\$ 106,990	31.21	%

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2007 and December 31, 2006 are as follows (in thousands):

	2007	2006
DEFERRED TAX ASSETS		
Marketable securities, principally due to impairment losses.....	\$ 26,875	\$ 28,518
Investment in real estate and other invested assets, principally due to investment valuation allowances.....	9,614	9,712
Policyholder funds, principally due to policy reserve discount.....	201,702	207,265
Policyholder funds, principally due to unearned premium reserve.....	31,066	36,638
Non-qualified pension.....	25,693	23,377
Participating policyholders' surplus.....	32,198	30,356
Non-taxable pension.....	18,127	18,681
Other assets.....	7,018	4,430
Net deferred tax assets.....	\$ 352,293	\$ 358,977
DEFERRED TAX LIABILITIES		
Marketable securities, principally due to net unrealized gains	\$ (96,441)	\$ (97,389)
Investment in bonds, principally due to accrual of discount on bonds.....	(13,395)	(12,701)
Deferred policy acquisition costs, due to difference between GAAP and tax amortization methods.....	(332,328)	(311,654)
Property, plant and equipment, principally due to difference between GAAP and tax depreciation method.....	(6,233)	(6,467)
Net deferred tax liabilities	(448,397)	(428,211)
Total deferred tax.....	\$ (96,104)	\$ (69,234)

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

Upon implementation of FASB No. 48, "Accounting for Uncertainty in Income Taxes," on January 1, 2007, American National decreased retained earnings approximately \$3,614,000 and increased its reserve for unrecognized tax benefits. The reserve is included with the "Other liabilities" in the Consolidated Statements of Financial Position. The change in the reserve during the year is as follows (in thousands):

	2007
UNRECOGNIZED TAX POSITIONS	
Balance at beginning of year	5,832
Tax positions from prior years	—
Current year tax positions	—
Settlements during the year	(1,214)
Lapse in statute of limitations	—
Balance at end of year	4,618

Interest expense of approximately \$791,000 has also been recognized in conjunction with the uncertain tax positions. Of this amount, approximately \$569,000 was charged to the beginning balance of retained earnings in the Consolidated Statements of Financial Position and approximately \$222,000 is included with the "Other operating costs and expenses" in the Consolidated Statements of Income. No provision was provided for penalties related to American National's uncertain tax positions.

Within the next twelve months, the reserve for unrecognized tax benefits is expected to decrease by approximately \$1,200,000 as a result of settlements and will have no impact on the company's effective tax rate. However, management believes that it is reasonably possible that certain tax benefits could be recognized within the next twelve months that would decrease the company's effective tax rate. The amount of such tax benefits is undeterminable at this time but would be immaterial to the company's financial position.

The statute of limitations for the examination of federal income tax returns by the Internal Revenue Service for years 2002 to 2006 has either been extended or has not expired. In the opinion of management, all prior year deficiencies have been paid or adequate provisions have been made for any tax deficiencies that may be upheld.

Federal income taxes totaling approximately \$101,333,000, \$126,494,000, and \$81,921,000 were paid to the Internal Revenue Service in 2007, 2006 and 2005, respectively.

12 COMPONENTS OF COMPREHENSIVE INCOME

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

	Before Federal Income Tax	Federal Income Tax Expense	Net of Federal Income Tax
<u>December 31, 2007</u>			
Unrealized losses	\$ (20,082)	\$ (7,029)	\$ (13,053)
Less reclassification adjustment for net gains realized in net income	20,494	7,173	13,321
Net unrealized gain component of comprehensive income	\$ 412	\$ 144	\$ 268
<u>December 31, 2006</u>			
Unrealized losses	\$ (21,145)	\$ (7,401)	\$ (13,744)
Less reclassification adjustment for net gains realized in net income	65,660	22,981	42,679
Net unrealized gain component of comprehensive income	\$ 44,515	\$ 15,580	\$ 28,935
<u>December 31, 2005</u>			
Unrealized losses	\$ (159,187)	\$ (55,715)	\$ (103,472)
Less reclassification adjustment for net gains realized in net income	56,178	19,662	36,516
Net unrealized loss component of comprehensive income	\$ (103,009)	\$ (36,053)	\$ (66,956)

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 follows:

COMMON STOCK	2007	2006	2005
Shares issued	30,832,449	30,832,449	30,832,449
Treasury shares	4,099,617	4,105,617	4,105,617
Restricted shares	253,000	247,000	247,000
Outstanding shares	26,479,832	26,479,832	26,479,832

Stock-Based Compensation

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

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. Five awards of restricted stock have been granted, with a total of 234,000 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 \$2,000,000 in 2007, \$1,948,000 in 2006, and \$1,654,000 in 2005.

The plan provides for the award of Stock Appreciation Rights (SAR). The SARs give the holder the right to compensation based on the difference between the price of a share of stock on the grant date and the price on the exercise date. The SARs vest at a rate of 20% per year for 5 years and expire 5 years after the vesting period. American National uses the average of the high and low price on the last trading day of the period to calculate the fair value and compensation expense for SARs. The fair value of the SARs was \$1,874,000 and \$2,044,000 at December 31, 2007 and 2006, respectively. Compensation expense was recorded totaling \$1,376,000, \$560,000, and \$1,600,000 for the years ended December 31, 2007, 2006, and 2005, respectively.

SAR and Restricted Stock (RS) information for 2007, 2006 and 2005 follows:

	SAR Shares	SAR Weighted-Average Price per Share	RS Shares	RS Weighted-Average Price per Share
Outstanding at December 31, 2004	94,350	\$ 84.06	161,000	\$ 6.92
Granted	92,500	100.46	86,000	—
Exercised	(26,109)	81.27	—	—
Cancelled	(3,366)	89.85	—	—
Outstanding at December 31, 2005	157,375	\$ 94.04	247,000	\$ 4.51
Granted	2,500	119.25	—	—
Exercised	(22,713)	90.18	—	—
Cancelled	(4,463)	97.81	—	—
Outstanding at December 31, 2006	132,699	\$ 95.05	247,000	\$ 4.51
Granted	4,500	130.52	6,000	—
Exercised	(34,795)	91.36	—	—
Cancelled	(5,680)	98.20	—	—
Outstanding at December 31, 2007	96,724	\$ 97.83	253,000	\$ 4.40

The weighted-average contractual remaining life for the 96,724 SAR shares outstanding as of December 31, 2007, is 6.6 years. The weighted-average exercise price for these shares is \$91.36 per share. Of the shares outstanding, 38,703 are exercisable at a weighted-average exercise price of \$90.26 per share.

The weighted-average contractual remaining life for the 253,000 Restricted Stock shares outstanding as of December 31, 2007, is 5.0 years. The weighted-average exercise price for these shares is \$4.40 per share. None of the shares outstanding was exercisable.

EARNINGS PER SHARE

Basic earnings per share was calculated using a weighted average number of shares outstanding of 26,479,832. The Restricted Stock resulted in diluted earnings per share as follows:

	2007	2006	2005
Unrestricted shares outstanding.....	26,479,832	26,479,832	26,479,832
Incremental shares from restricted stock.....	158,992	132,632	109,379
Total shares for diluted calculations.....	26,638,824	26,612,464	26,589,211
Diluted earnings per share.....	\$ 9.04	\$ 10.27	\$ 8.87

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. At December 31, 2007 American National's statutory capital and surplus was \$2,164,812,092.

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, 2007, approximately \$1,404,489,000 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

American National County Mutual Insurance Company (County Mutual) is a mutual insurance company that is owned by its policyholders. However, the company has a management agreement, which effectively gives complete control of County Mutual to American National. As a result, County Mutual is included in the consolidated financial statements. 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, 2007 and 2006.

American National's subsidiary, ANTAC, Inc., is a partner in various joint ventures. ANTAC exercises significant control or ownership of these joint ventures, resulting in their consolidation into the American National consolidated financial statements. As a result of the consolidation, the interest of the other partners of the joint ventures is shown as a minority interest. The joint ventures had receivable balances from the other partners totaling \$2,211,000 and \$5,477,000 at December 31, 2007 and 2006, respectively.

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 was 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 were purchased from the officers by American National in 2007 and TMNY was subsequently dissolved. The total value of the preferred shares that were included in minority interests was \$4,739,000 at December 31, 2006.

14 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:

INDEPENDENT MARKETING GROUP

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

CAREER SALES & 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. In prior years, this segment was referred to as "Home Service Division."

MULTIPLE LINE

This segment derives its revenues from the sale of individual life, annuity, accident and health and property and casualty products marketed through American National, American National Life Insurance Company of Texas, the American National Property & Casualty Companies and the Farm Family Companies.

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 insurance products.

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.

CAPITAL AND SURPLUS

This segment derives its revenues principally from investment instruments.

ALL OTHER

This category comprises segments that 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.

The following tables summarize net income and various components of net income by operating segment for the years ended December 31, 2007, 2006, and 2005 (in thousands):

	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
2007							
Independent Marketing Group	\$ 266,761	\$ 348,773	\$ 578,737	\$ —	\$ 36,797	\$ 12,143	\$ 24,654
Career Sales & Service Division.....	202,611	101,937	290,870	—	13,678	4,514	9,164
Multiple Line	1,220,863	174,476	1,256,274	—	139,065	45,891	93,174
Senior Age Marketing.....	138,975	16,939	151,226	—	4,688	1,547	3,141
Direct Marketing.....	41,170	3,694	40,524	—	4,340	1,432	2,908
Credit Insurance Division.....	169,250	20,259	176,204	—	13,305	4,391	8,914
Health Division.....	128,862	3,308	132,863	—	(693)	(229)	(464)
Capital and Surplus	1,915	162,622	26,326	3,928	142,139	39,947	102,192
All Other	40,456	28,236	75,054	2,019	(4,343)	(1,433)	(2,910)
	\$ 2,210,863	\$ 860,244	\$ 2,728,078	\$ 5,947	\$ 348,976	\$ 108,203	\$ 240,773
2006							
Independent Marketing Group	\$ 148,517	\$ 337,494	\$ 460,698	\$ —	\$ 25,313	\$ 8,353	\$ 16,960
Career Sales & Service Division.....	207,145	101,890	292,086	—	16,949	5,593	11,356
Multiple Line	1,275,306	174,765	1,325,557	—	124,514	41,090	83,424
Senior Age Marketing.....	161,409	19,421	164,645	—	16,185	5,341	10,844
Direct Marketing.....	40,699	3,466	45,193	—	(1,028)	(339)	(689)
Credit Insurance Division.....	170,310	18,165	190,296	—	(1,821)	(601)	(1,220)
Health Division.....	135,063	3,562	141,369	—	(2,744)	(906)	(1,838)
Capital and Surplus	3,329	224,163	27,448	6,496	206,540	66,209	140,331
All Other	35,693	54,034	69,462	724	20,989	6,926	14,063
	\$ 2,177,471	\$ 936,960	\$ 2,716,754	\$ 7,220	\$ 404,897	\$ 131,666	\$ 273,231
2005							
Independent Marketing Group	\$ 97,212	\$ 330,997	\$ 392,779	\$ —	\$ 35,430	\$ 11,692	\$ 23,738
Career Sales & Service Division.....	208,162	105,477	295,234	—	18,405	6,074	12,331
Multiple Line	1,297,013	173,010	1,382,930	—	87,093	28,741	58,352
Senior Age Marketing.....	184,195	17,949	184,728	—	17,416	5,747	11,669
Direct Marketing.....	39,706	3,343	40,236	—	2,813	928	1,885
Credit Insurance Division.....	163,929	18,778	170,783	—	11,924	3,935	7,989
Health Division.....	141,008	3,827	144,779	—	56	18	38
Capital and Surplus	993	186,775	22,631	5,551	170,688	50,170	120,518
All Other	39,656	33,444	74,267	211	(956)	(315)	(641)
	\$ 2,171,874	\$ 873,600	\$ 2,708,367	\$ 5,762	\$ 342,869	\$ 106,990	\$ 235,879

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. The following table provides revenues within each segment by line of business for the years ended December 31, 2007, 2006, and 2005 (in thousands):

	Life	Annuity	Accident and Health	Property and Casualty	Credit	All Other	Total Revenues
2007							
Independent Marketing Group	\$ 64,802	\$ 550,732	\$ —	\$ —	\$ —	\$ —	\$ 615,534
Career Sales & Service Division	290,888	3,784	9,876	—	—	—	304,548
Multiple Line	204,237	38,121	14,152	1,138,829	—	—	1,395,339
Senior Age Marketing	23,475	5,269	125,307	—	—	1,863	155,914
Direct Marketing	44,576	89	199	—	—	—	44,864
Credit Insurance Division	—	—	—	—	189,509	—	189,509
Health Division	1,925	—	130,245	—	—	—	132,170
Capital and Surplus	—	—	—	—	—	164,537	164,537
All Other	23,593	14,191	2,050	—	—	28,858	68,692
	\$ 653,496	\$ 612,186	\$ 281,829	\$ 1,138,829	\$ 189,509	\$ 195,258	\$ 3,071,107

2006							
Independent Marketing Group	\$ 57,453	\$ 428,558	\$ —	\$ —	\$ —	\$ —	\$ 486,011
Career Sales & Service Division	294,890	10,551	3,594	—	—	—	309,035
Multiple Line	205,433	38,822	14,834	1,190,982	—	—	1,450,071
Senior Age Marketing	25,310	6,071	145,138	—	—	4,311	180,830
Direct Marketing	43,809	90	266	—	—	—	44,165
Credit Insurance Division	—	—	—	—	188,475	—	188,475
Health Division	2,708	—	135,917	—	—	—	138,625
Capital and Surplus	—	—	—	—	—	227,492	227,492
All Other	24,527	12,404	2,184	—	—	50,612	89,727
	\$ 654,130	\$ 496,496	\$ 301,933	\$ 1,190,982	\$ 188,475	\$ 282,415	\$ 3,114,431

2005							
Independent Marketing Group	\$ 57,831	\$ 370,378	\$ —	\$ —	\$ —	\$ —	\$ 428,209
Career Sales & Service Division	298,627	4,094	10,918	—	—	—	313,639
Multiple Line	204,862	37,326	15,578	1,212,257	—	—	1,470,023
Senior Age Marketing	25,403	3,556	172,405	—	—	780	202,144
Direct Marketing	42,683	103	263	—	—	—	43,049
Credit Insurance Division	—	—	—	—	182,707	—	182,707
Health Division	1,954	—	142,881	—	—	—	144,835
Capital and Surplus	—	—	—	—	—	187,768	187,768
All Other	26,624	12,941	2,831	—	—	30,704	73,100
	\$ 657,984	\$ 428,398	\$ 344,876	\$ 1,212,257	\$ 182,707	\$ 219,252	\$ 3,045,474

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.

The following table summarizes assets by operating segment for the years ended December 31, 2007 and 2006 (in thousands):

	2007	2006
Independent Marketing Group	\$ 7,238,849	\$ 6,915,329
Career Sales & Service Division	1,938,996	1,912,687
Multiple Line	4,179,068	4,167,801
Senior Age Marketing	394,293	405,756
Direct Marketing	132,921	127,335
Credit Insurance Division	480,742	503,310
Health Division	399,434	431,904
Capital and Surplus	2,841,313	2,603,611
All Other	859,253	865,611
	\$ 18,464,869	\$ 17,933,344

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.

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 large third-party marketing organizations. During 2007, no single customer or organization was responsible for more than 3% of total premium revenue and policy deposits. This compares with 4% in 2006 and 8% in 2005. Of the total business written by these organizations, the majority was policy account deposits for annuities.

15 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 Career Sales & Service Division 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.

As discussed in note 2, effective December 31, 2006, American National adopted the recognition and disclosure provisions of FAS 158. Statement 158 requires companies to recognize the funded status of defined benefit pension and other postretirement plans as a net asset or liability on its balance sheet. The statement precludes prior period restatement, so although the 2007 and 2006 balances are comparable, they are not comparable with those shown for 2005.

American National uses a December 31 measurement date for its defined benefit plans. Combined activity in the defined benefit pension plans was as follows (in thousands):

	2007	2006	2005
Reconciliation of benefit obligation			
Obligation at beginning of year.....	\$ 283,344	\$ 277,877	\$ 251,373
Service cost benefits earned during period.....	9,326	9,633	8,981
Interest cost on projected benefit obligation.....	16,483	15,474	14,737
Participant contributions.....	730	751	767
Amendments.....	—	—	—
Actuarial gain (loss).....	8,461	(6,247)	16,490
Benefits paid.....	(15,687)	(14,144)	(14,471)
Obligation at end of year.....	\$ 302,657	\$ 283,344	\$ 277,877
Reconciliation of fair value of plan assets			
Fair value of plan assets at beginning of year.....	\$ 167,478	\$ 158,141	\$ 157,085
Actual return on plan assets.....	15,979	9,231	8,763
Employer contributions.....	14,580	13,499	5,997
Participant contributions.....	731	751	767
Benefits paid.....	(15,750)	(14,144)	(14,471)
Fair value of plan assets at end of year.....	\$ 183,018	\$ 167,478	\$ 158,141
Funded status at end of year.....	\$ 119,639	\$ 115,866	\$ 119,736

Amounts recognized in the statement of financial position consist of (in thousands):

	2007	2006
Assets.....	\$ —	\$ —
Liabilities.....	(119,639)	(115,866)
	\$ (119,639)	\$ (115,866)

The components of the combined net periodic benefit cost for the defined benefit pension plans were as follows (in thousands):

	2007	2006	2005
Service cost.....	\$ 9,366	\$ 9,664	\$ 9,035
Interest cost.....	16,483	15,474	14,737
Expected return on plan assets.....	(12,375)	(11,808)	(11,425)
Amortization of prior service cost.....	3,666	4,613	4,613
Amortization of transition obligation.....	117	47	10
Amortization of net gain (loss).....	6,197	4,784	3,481
Net periodic benefit cost.....	\$ 23,454	\$ 22,774	\$ 20,451

Amounts related to the defined benefit pension plans recognized as a component of other comprehensive income were as follows (in thousands):

	2007	2006	2005
Prior service cost.....	\$ 3,711	\$ (12,973)	\$ —
Net actuarial loss.....	2,215	26,045	(13,634)
Deferred tax benefit.....	(2,074)	(4,575)	4,772
Other comprehensive loss, net of tax.....	\$ 3,852	\$ 8,497	\$ (8,862)

Amounts recognized as a component of accumulated other comprehensive income as of year end that have not been recognized as a component of the combined net periodic benefit cost of the defined benefit pension plans are presented in the following table (in thousands). The estimated net loss and prior service cost for the plan that will be amortized from accumulated other comprehensive income into the net periodic benefit cost over the next fiscal year are \$5,300,000 and \$3,500,000, respectively.

	2007	2006
Prior service cost	\$ (9,262)	\$ (12,973)
Net actuarial loss	(43,374)	(45,589)
Deferred tax benefit	18,423	20,497
Amounts included in accumulated other comprehensive income.....	\$ (34,213)	\$ (38,065)

The assumptions used in the measurement of the company's benefit obligation are shown in the following table (in thousands):

	Pension Benefits	
	Used for Net Benefit Cost in Fiscal Year 1/1/2007 to 12/31/2007	Used for Benefit Obligations as of 12/31/2007
Discount rate	5.75%	6.10%
Rate of compensation increase.....	3.75%	4.20%
Long-term rate of return	7.65%	7.65%

American National's 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. American National, excluding Farm Family, contributed \$8,300,000 and \$7,200,000 to the qualified retirement plan in 2007 and 2006, respectively. Farm Family contributed \$341,000 in 2007 and \$638,000 in 2006 to their qualified retirement plan.

American National expects to contribute \$9,200,000 to its qualified pension plan in fiscal year 2008. The Farm Family Insurance Companies expect to contribute \$2,200,000 to their pension plans in fiscal year 2008.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

Year	Pension Benefits
2008.....	\$ 15,207
2009.....	16,737
2010.....	19,653
2011.....	23,505
2012.....	23,287
2013-17.....	143,193

The pension plan asset allocations at December 31, 2007 and December 31, 2006 by asset category are as follows:

	Plan Assets at December 31,	
	2007	2006
Asset Category		
Equity securities	36.5%	33.8%
Debt securities	48.0%	47.6%
Other.....	15.5%	18.6%
Total.....	100.0%	100.0%

The investment policy for the qualified retirement plan assets is designed to provide the highest return possible commensurate with sound and prudent underwriting practices. The investment diversification goals are to have investments in cash from zero to 15%, debt securities from 40% to 80% and equity securities from 20% to 60% of the total invested plan assets. The amount invested in any particular investment is limited based on credit quality, and no single investment is allowed to be more than 5% of the total invested assets.

The overall expected long-term rate of return on assets assumption is based upon a building-block method, whereby the expected rate of return on each asset class is broken down into three components: (1) inflation, (2) the real risk-free rate of return (i.e., the long-term estimate of future returns on default-free U.S. government securities), and (3) the risk premium for each asset class (i.e., the expected return in excess of the risk-free rate). All three components are based primarily on historical data.

While the precise expected return derived using the above approach will fluctuate somewhat from year to year, American National's policy is to hold this long-term assumption constant as long as it remains within a reasonable tolerance from the derived rate.

POSTRETIREMENT LIFE AND 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 the liability for retirement benefits, was \$6,000,000 and \$6,300,000 at December 31, 2007 and 2006, respectively. These amounts were approximately equal to the unfunded accumulated post-retirement benefit obligation. Since American National's 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.

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.

SAVINGS PLANS

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 (401(k) 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 \$2,700,000 for 2007, \$2,800,000 for 2006 and \$2,600,000 for 2005.

16 COMMITMENTS AND CONTINGENCIES

COMMITMENTS

American National and its subsidiaries lease insurance sales office space in various cities. The remaining long-term lease commitments at December 31, 2007, were approximately \$4,130,000.

In the ordinary course of their operations, the companies also had commitments outstanding at December 31, 2007, to purchase, expand or improve real estate, to fund mortgage loans, and to purchase other invested assets aggregating \$272,231,000, all of which are expected to be funded in 2008. As of December 31, 2007, 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, 2007, was approximately \$304,111,000, while the total cash values of the related life insurance policies was approximately \$315,966,000.

LITIGATION

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. 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 is a defendant in several lawsuits which propose to certify one or more classes of persons who contend that American National allegedly failed to refund credit life and disability insurance premiums to persons who paid the underlying indebtedness prior to the insured loan's maturity. One of the lawsuits has been preliminarily settled as a class action, with final approval of the settlement expected in 2008. Additionally, American National has reached a settlement with the State of Texas in an action regarding this situation. The amount of expense for that settlement and the provision for additional losses regarding that settlement and for the possible lawsuits is not material to 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 of American National Insurance Company:

We have audited the accompanying consolidated statements of financial position of American National Insurance Company and subsidiaries (The Company) as of December 31, 2007 and 2006, 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, 2007. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2007 and 2006, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2007 in conformity with U.S. generally accepted accounting principles.

KPMG LLP
March 10, 2008
Houston, Texas

American National Insurance Company

Ten-year Financial Highlights

(In millions, except per share data and ratios)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
OPERATING RESULTS										
Revenues	\$ 3,071	\$ 3,114	\$ 3,045	\$ 2,879	\$ 2,629	\$ 2,221	\$ 2,138	\$ 1,834	\$ 1,890	\$ 1,745
Operating earnings (a)	211	208	181	220	161	102	61	125	166	155
Realized capital gains (b)	30	65	55	36	21	(85)	4	15	101	42
Net income	241	273	236	256	182	17	65	140	267	197
Operating earnings per share, diluted (a)	7.90	7.82	6.79	8.30	6.07	3.87	2.29	4.73	6.26	5.86
Realized capital gains per share, diluted (b)	1.14	2.45	2.08	1.33	0.81	(3.23)	0.16	0.56	3.81	1.59
Net income per share, diluted	9.04	10.27	8.87	9.63	6.88	0.64	2.45	5.29	10.07	7.45
Financial Position										
Assets	\$ 18,465	\$ 17,933	\$ 17,493	\$ 16,571	\$ 15,140	\$ 12,237	\$ 11,258	\$ 9,270	\$ 9,090	\$ 8,816
Investments	14,963	14,526	14,257	13,365	11,962	9,173	8,280	6,990	7,254	7,143
Liabilities	14,728	14,358	14,115	13,275	12,028	9,363	8,322	6,247	6,027	5,901
Policyholder liabilities	13,255	13,027	12,876	12,212	11,062	8,467	7,516	5,590	5,368	5,283
Total equity	3,737	3,575	3,378	3,296	3,112	2,874	2,936	3,023	3,063	2,915
Total equity, excluding SFAS 115	3,766	3,601	3,379	3,246	3,057	2,839	2,926	3,062	3,075	2,884
Insurance Production Information										
Life insurance sales	\$ 12,368	\$ 11,263	\$ 12,077	\$ 13,021	\$ 12,373	\$ 12,874	\$ 11,821	\$ 11,487	\$ 11,224	\$ 10,208
Life insurance in force (c)	68,683	65,991	64,051	61,404	58,736	56,504	54,414	48,777	46,953	44,848
Policy account deposits	1,220	1,092	1,212	1,554	2,695	936	588	325	310	290
Common Stock Statistics										
Market close	\$121.24	\$ 114.11	\$ 116.99	\$ 104.16	\$ 84.48	\$ 82.02	\$ 84.10	\$ 73.00	\$ 63.75	\$ 82.75
Book value per share, basic	141.12	135.03	127.57	124.46	117.52	108.52	110.89	114.19	115.68	110.07
Dividends paid per share	3.05	3.01	2.97	2.96	2.96	2.96	2.92	2.86	2.78	2.70
Shares outstanding (000's) (d)	26,480	26,480	26,480	26,480	26,480	26,480	26,480	26,479	26,479	26,479
Financial Ratios										
Return on equity (e)	6.9 %	8.2%	4.7%	8.4%	11.0%	0.5%	(0.3)%	1.2%	7.6%	10.4%
Operating return on equity (f)	5.8 %	6.1%	5.6%	7.2%	5.7%	3.5%	2.0%	4.1%	5.7%	5.8%
Dividend payout (g)	38.7 %	38.7%	43.9%	35.8%	49.0%	76.8%	127.8%	60.5%	44.5%	46.1%
Assets per \$100 of liabilities	\$ 125	\$ 125	\$ 124	\$ 125	\$ 126	\$ 131	\$ 135	\$ 148	\$ 151	\$ 149

(a) After tax and excluding gains from sale of investments

(b) After-tax gains from sale of investments

(c) Includes insurance acquired of \$4.125 million in 2001

(d) Number of unrestricted shares outstanding at year end

(e) Change in total equity before dividends to stockholders, FIN 48 implementation and stock options divided by total equity at the beginning of the year

(f) Operating earnings per share divided by book value per share at the beginning of the year, adjusted to exclude the effect of SFAS 115

(g) Total dividends paid to stockholders divided by operating earnings

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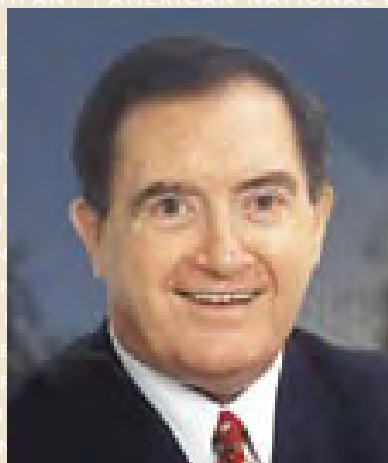


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Director of
Telecommunications

Katherine S. Meisetschlaeger
Assistant Vice President
Staff Systems Engineer
Product Development

Eligio A. Mendez
Assistant Vice President
Director of Computing
Services

MULTIPLE LINE MARKETING

Gregory V. Ostergren
Executive Vice President
Director of Multiple Line

Ronald C. Price
Senior Vice President
Chief Marketing Officer
Career Life Agencies

Bernard S. Gerwel
Senior Vice President
Chief MLEA
Administrative Officer

James A. Collura
Vice President
Chief Life Marketing
Officer, MLEA

William C. Ray
Vice President
Marketing Training and
Development

J. Wayne Cucco
Assistant Vice President
Director of Advanced
Life Sales

John Ferguson
Assistant Vice President
Creative Services

Emerson Unger
Assistant Vice President
National Business
Development Executive

CAREER SALES AND SERVICE DIVISION

Bill J. Garrison
Executive Vice President
Director of Career Sales and
Service Division

George W. Williamson
Vice President
Assistant Director
Career Sales and Service
Division

Dixie N. McDaniel
Vice President
Career Sales and Service
Division Administration

Douglas N. Fullilove
Assistant Vice President
Director, Agents Employment

Raymond E. Pittman, Jr.
Assistant Vice President
Director of Marketing/
Career Development

INDEPENDENT MARKETING GROUP

David A. Behrens
Executive Vice President

George C. Crume
Vice President, Brokerage Sales

Douglas A. Culp
Vice President
Financial Institution

Steven L. Dobbe
Vice President
Broker Dealer Marketing

Franklin J. Gerren
Vice President Payroll
Deduction

Robert W. Scheff
Vice President
Advanced Sales and Marketing

J. Truitt Smith
Vice President, Pension Sales

CREDIT INSURANCE OPERATIONS

James W. Pangburn
Senior Vice President

Thomas A. Carpentier
Vice President
Special Markets, Credit
Insurance

Dwight D. Judy
Vice President
Financial Marketing

HEALTH INSURANCE DIVISION

Steven H. Schouweiler
Senior Vice President
Health Insurance Operations

William H. Watson III
Vice President
Chief Health Actuary

Debbie S. Fuentes
Vice President, Health Claims

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

Clarence E. Tipton
Assistant Vice President
and Assistant Actuary

Zeb M. Miller
Assistant Vice President
Health Administration

Ronald J. Ostermayer
Assistant Vice President
Director, Health Systems
Administration, HIPAA
Security Officer

Michael C. Paetz
Assistant Vice President
Group and MGU Operations

Morris J. Soler
Assistant Vice President
HIPAA Privacy Officer

American National Insurance Company Subsidiaries

Officers And Directors

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
and President
Steven H. Schouweiler
Senior Vice President
Ronald J. Welch
Senior Vice President
Stephen E. Pavlicek
Vice President
and Chief Financial Officer
Dwain A. Akins
Vice President
Corporate Compliance
Albert L. Amato, Jr.
Vice President
Life Administration
David A. Behrens
Vice President
Frank V. Broll, Jr.
Vice President and Actuary
William F. Carlton
Vice President and Controller
Gordon D. Dixon
Vice President, Investments
Debbie S. Fuentes
Vice President, Health Claims
Rex D. Hemme
Vice President and Actuary
Charles J. Jones
Vice President
Health Underwriting and New
Business
Michael W. McCroskey
Vice President, Investments
James E. Pozzi
Vice President
Michael Shumate
Vice President
and Assistant Actuary
James P. Stelling
Vice President, Health Compliance

Clarence E. Tipton
Vice President
J. Mark Flippin
Secretary and Treasurer
D. Lanette Leining
Assistant Vice President
Life New Business
Larry E. Linares
Assistant Vice President
Bradley W. Manning
Assistant Vice President
Life Claims
Michael C. Paetz
Assistant Vice President
E. Bruce Pavelka
Assistant Vice President
Life Administration
Judith L. Regini
Assistant Vice President
Corporate Compliance
William H. Watson III
Associate Actuary
Richard T. Crawford
Assistant Controller
Jeanette E. Cernosek
Assistant Secretary
Victor J. Krc
Assistant Treasurer
Morris J. Soler
HIPAA Privacy Officer
Joseph J. Cantu
Illustration Actuary

STANDARD LIFE AND ACCIDENT INSURANCE COMPANY OKLAHOMA

DIRECTORS

G. Richard Ferdinandtsen
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
Steven H. Schouweiler
Executive Vice President
and Chief Operating Officer
Stephen E. Pavlicek
Vice President and
Chief Financial Officer
William F. Carlton
Vice President and Controller
J. Mark Flippin
Secretary and Treasurer
Dwain A. Akins
Vice President
Corporate Compliance
Albert L. Amato, Jr.
Vice President
Life Policy Administration
Frank V. Broll, Jr.
Vice President and Actuary
Gordon D. Dixon
Vice President, Investments
Rex D. Hemme
Vice President and Actuary
Charles J. Jones
Vice President, Health
Debra R. Knowles
Vice President
Marketing Administration
Bruce M. LePard
Vice President
Director of Human Resources
Michael W. McCroskey
Vice President, Investments
William H. Watson III
Vice President and Actuary
Michael Shumate
Vice President and Assistant Actuary
James P. Stelling
Vice President and Health
Compliance

Clarence E. Tipton
Vice President and Assistant Actuary
Debbie S. Fuentes
Assistant Vice President
Health Claims
D. Lanette Leining
Assistant Vice President
Life New Business
Larry E. Linares
Assistant Vice President
Bradley W. Manning
Assistant Vice President
Life Claims
Michael C. Paetz
Assistant Vice President
E. Bruce Pavelka
Assistant Vice President,
Life Administration
Judith L. Regini
Assistant Vice President
Corporate Compliance
Richard T. Crawford
Assistant Controller
Jeanette E. Cernosek
Assistant Secretary
Victor J. Krc
Assistant Treasurer
Joseph J. Cantu
Illustration Actuary
Morris J. Soler
HIPAA Privacy Officer

American National Insurance Company Subsidiaries

Officers And Directors

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

G. Richard Ferdinandtsen
Vice Chairman of the Board

Scott K. Luchesi
President
Chief Executive Officer

David A. Behrens
Executive Vice President
IMG

Lee C. Ferrell
Senior Vice President
Operations

J. Mark Flippin
Secretary and Treasurer

Stephen E. Pavlicek
Vice President and Chief
Financial Officer

William F. Carlton
Vice President and Controller

Dwain A. Akins
Vice President
Corporate Compliance

Albert L. Amato, Jr.
Vice President
Policy Administration

John R. Barrett
Vice President
Marketing

Frank V. Broll, Jr.
Vice President and Actuary

George C. Crume
Vice President
Brokerage Sales, IMG

Douglas A. Culp
Vice President
Financial Institution, IMG

Gordon D. Dixon
Vice President
Investments

Steven L. Dobbe
Vice President
Broker Dealer Marketing
IMG

Franklin J. Gerren
Vice President
Payroll Deduction, IMG

Rex D. Hemme
Vice President and Actuary

Lee C. Horn
Vice President
Underwriting

Bruce M. LePard
Vice President
Human Resources

Michael W. McCroskey
Vice President
Investments

Robert W. Schefft
Vice President
Advanced Sales and
Marketing, IMG

J. Truitt Smith
Vice President
Pension Sales, IMG

Larry E. Linares
Assistant Vice President

Bradley W. Manning
Assistant Vice President
Life Claims

Carrie M. McCord
Assistant Vice President
Marketing Production

E. Bruce Pavelka
Assistant Vice President
Life Administration

Judith L. Regini
Assistant Vice President
Corporate Compliance

Richard T. Crawford
Assistant Controller

Jeanette E. Cernosek
Assistant Secretary

Victor J. Krc
Assistant Treasurer

Joseph J. Cantu
Illustration Actuary

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY MISSOURI

DIRECTORS

Robert J. Campbell
G. Richard Ferdinandtsen
Irwin M. Herz, Jr.
Ross R. Moody
Gregory V. Ostergren
Stephen E. Pavlicek
James E. Pozzi
Timothy A. Walsh
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
Chief Claims Officer

Bernard S. Gerwel
Senior Vice President
Multiple Line Exclusive
Agency and Chief Field
Administration Officer

Janet A. Clark
Vice President
Underwriting Services

James M. Cybulski
Vice President
Controller and Treasurer

Gregory E. Eck
Assistant Controller

Donna M. Percy
Assistant Controller

Deborah A. Foell
Vice President
Information/General
Services

Jerry W. Jones
Vice President
Claims Services

Michael W. McCroskey
Vice President, Investments

Byron W. Smith
Vice President
Actuarial Services

Patrick Leeper
Assistant Vice President
Licensing and Field
Performance Administration

John Y. McCaskill
Assistant Vice President
Systems Projects and
Compliance

Stuart M. Paulson
Assistant Vice President
Deputy General Counsel
Assistant Secretary

Charles Swearingen
Assistant Vice President
Computing and Distribution
Services

Linda F. Ward
Assistant Vice President
Corporate Actuary

J. Mark Flippin
Assistant Secretary

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

OFFICERS

Michael W. McCroskey
President
Chief Executive Officer

Gordon D. Dixon
Senior Vice President
Chief Investment Officer

Teresa E. Axelson
Vice President, Secretary
Chief Compliance Officer

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

Andrew R. Duncan
Vice President
Derivatives Strategies and
Alternative Investments

T. Brett Harrington
Vice President
Fund Marketing

Anne M. LeMire
Vice President
Head of Fixed Income

John S. Maidlow
Vice President
Head of Portfolio Management

Ronald C. Price
Senior Vice President

James A. Collura
Vice President

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 Insurance Company Subsidiaries

Officers And Directors

FARM FAMILY CASUALTY INSURANCE COMPANY NEW YORK

DIRECTORS

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

OFFICERS

Gregory V. Ostergren Chairman of the Board	Patrick A. Wejrowski Senior Vice President Information Services
G. Richard Ferdinandtsen Vice Chairman of the Board	Roy S. Davies Vice President Accounting
Timothy A. Walsh President Chief Executive Officer	Gordon D. Dixon Vice President Investments
James J. Bettini Executive Vice President Operations	Thomas E. Kelley Vice President Casualty Claims
Victoria M. Stanton Executive Vice President General Counsel and Secretary	Michael W. McCroskey Vice President Investments
Barry L. Bablin Senior Vice President Casualty Actuarial Services	Melissa G. McGrath Vice President Legal
Michele M. Bartkowski Senior Vice President Chief Financial Officer and Treasurer	Matthew R. Ostiguy Vice President Research and Development
William T. Conine Senior Vice President Marketing Services	Margaret A. Paris Vice President Casualty Compliance
Lewis E. Dufort Senior Vice President Marketing	
Richard E. Long Senior Vice President Casualty Claims	

FARM FAMILY LIFE INSURANCE COMPANY NEW YORK

DIRECTORS

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

OFFICERS

Gregory V. Ostergren Chairman of the Board	Patrick A. Wejrowski Senior Vice President Information Services
G. Richard Ferdinandtsen Vice Chairman of the Board	John A. Cole Vice President Life Operations
Timothy A. Walsh President Chief Executive Officer	Roy S. Davies Vice President Accounting
James J. Bettini Executive Vice President Operations	Gordon D. Dixon Vice President Investments
Victoria M. Stanton Executive Vice President General Counsel and Secretary	Kathryn Lentivech Vice President Life Actuarial Services
Michele M. Bartkowski Senior Vice President Chief Financial Officer and Treasurer	Michael W. McCroskey Vice President Investments
William T. Conine Senior Vice President Marketing Services	Melissa G. McGrath Vice President Legal
Lewis E. Dufort Senior Vice President Marketing	

AMERICAN NATIONAL DE MÉXICO, COMPAÑÍA DE SEGUROS DE VIDA, S.A. DE C.V. MÉXICO

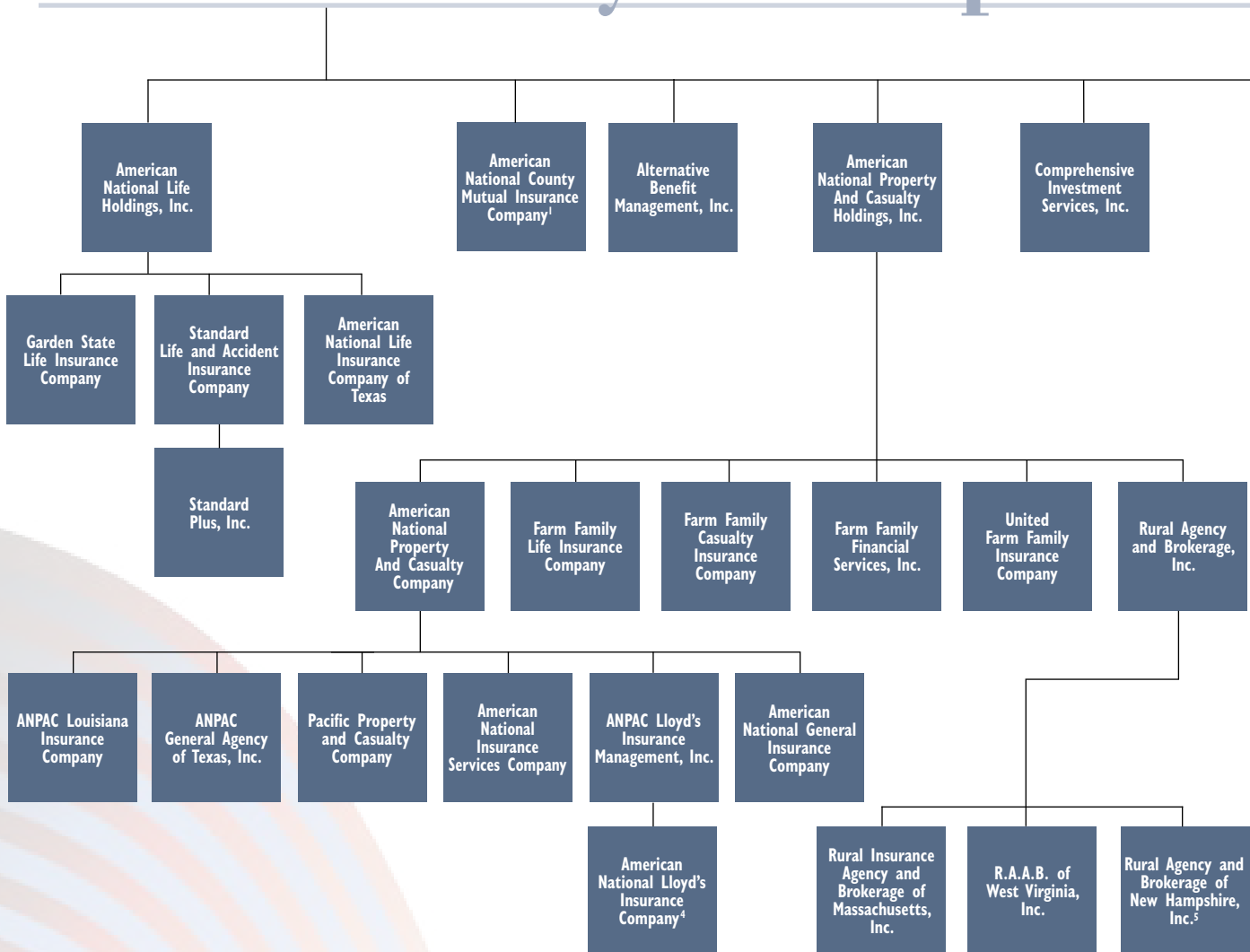
DIRECTORS

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

OFFICERS

Reynelle Cornish González
Director General
Francisco García Pérez
Director of Administration
**Francisco Quintanilla
De La Garza**
Normative Controller

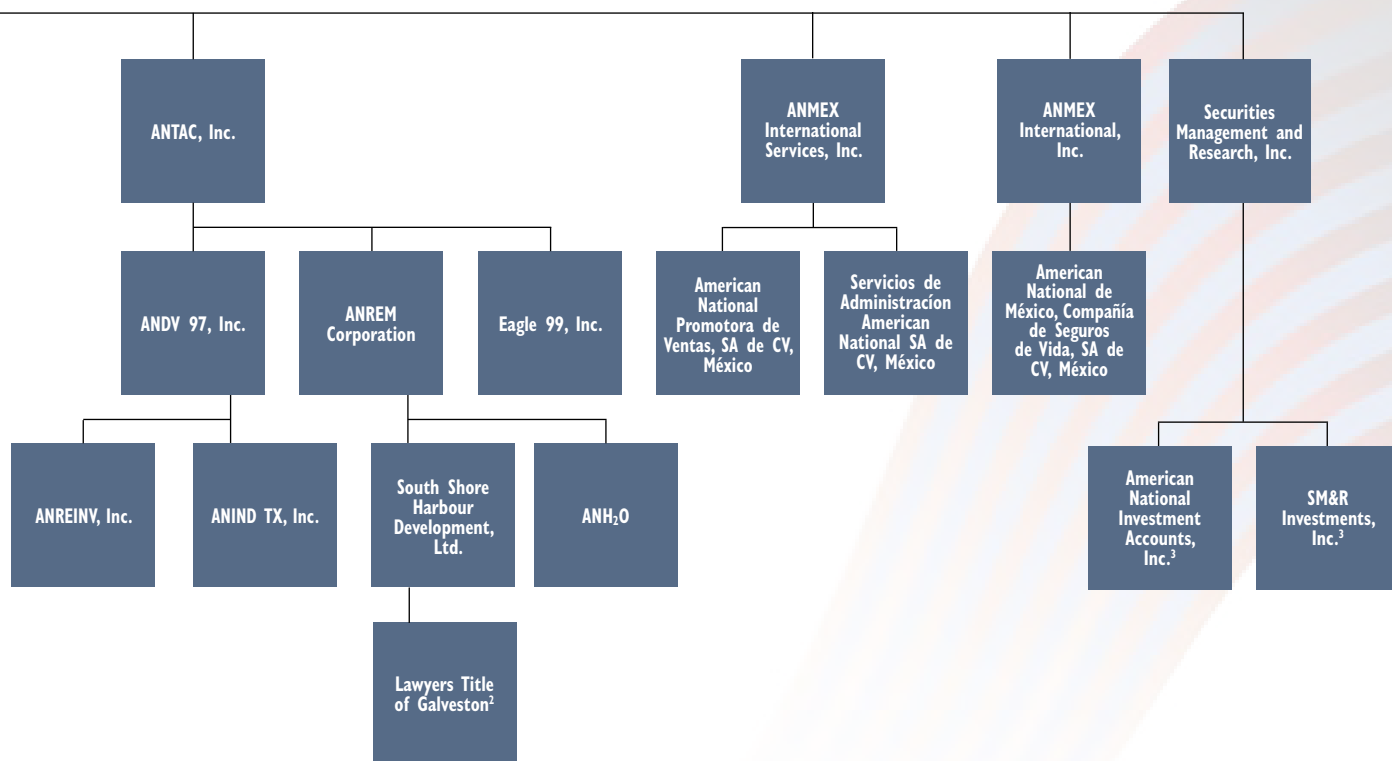
American National Family of Companies



All subsidiaries are 100% owned by indicated parent except as otherwise noted.

1. Not a subsidiary company, but managed by American National Insurance Company
2. 50% owned by South Shore Harbour Development Ltd. and 50% owned by Lawyers Title Company
3. Not subsidiaries, but mutual funds managed by Securities Management and Research, Inc. (SM&R) in which SM&R and/or American National Insurance Company may have investments from time to time
4. Not a subsidiary company, but managed by ANPAC Lloyd's Insurance Management, Inc.
5. 75% owned by New Hampshire Farm Bureau, and 25% owned by Rural Agency and Brokerage, Inc.

Insurance Company



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 organizations

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

A Mexican life insurance company specializing in Career Sales & Service Division life products

The American National Property and Casualty Companies

Property and casualty insurers that write primarily auto and homeowners insurance

The Farm Family Companies

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

American National Financial Strength Ratings

American National Insurance Company ("American National") has been assigned the following ratings by nationally recognized, independent rating agencies. The ratings are current as of March 1, 2007.

A.M. BEST FSR: A+ (SUPERIOR)

Second highest of 13 active company ratings¹

"A superior ability to meet their ongoing obligations to policyholders."

STANDARD & POOR'S: AA (VERY STRONG)

Third highest of 20 active company ratings²

"Very strong financial security characteristics, differing only slightly from those rated higher."

Ratings reflect current independent opinions of the financial capacity of an insurance organization to meet the obligations of its insurance policies and contracts in accordance with their terms. They are based on comprehensive quantitative and qualitative evaluations of the company and its management strategy. They are not provided as a recommendation by the rating companies to purchase insurance or annuities. These ratings are not a warranty of an insurer's current or future ability to meet its contractual obligations.

Ratings may be changed, suspended, or withdrawn at any time. For the most current ratings, view the full rating reports on American National's Internet site at www.anico.com.

1. A.M. Best's active company rating scale is: A++ (Superior), A+ (Superior), A (Excellent), A- (Excellent), B++ (Very Good), B+ (Very Good), B (Adequate), B- (Adequate), C++ (Fair), C+ (Fair), C (Marginal), C- (Marginal) and D (Poor).

2. Standard & Poor's active company rating scale is: AAA (Extremely Strong), AA (Very Strong), A (Strong), BBB (Good), BB (Marginal), B (Weak), CCC (Very Weak), and CC (Extremely Weak). Plus (+) or Minus (-) modifiers show the relative standing within the categories from AA to CCC.

Insurance Company

Code of Ethics

AMERICAN NATIONAL INSURANCE COMPANY has adopted a Code of Business Conduct and Ethics applicable to all directors, officers and employees of the company and its subsidiaries. A copy of this code can be found on the company's Web site, www.anico.com. Any waivers of the code's provisions will also be posted on the Web site.



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

CORPORATE OFFICE

One Moody Plaza, Galveston, Texas 77550, 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:

BNY Mellon Shareowner Services, P.O. Box 358015, Pittsburgh, PA 15252-8015

or 480 Washington Boulevard, Jersey City, NJ 07310-1900, 1-866-258-7757

Foreign Shareholders: 1-201-680-6578. TDD for hearing-impaired: 1-800-231-5469.

TDD Foreign Shareowners: 1-201-680-6610.

www.bnymellon.com/shareowner/isd



FAMILY OF COMPANIES