AMERICAN NATIONAL INSURANCE CO /TX/
Form 10-K
March 10, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2016

or

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

American National Insurance Company

(Exact name of registrant as specified in its charter)

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

One Moody Plaza

Galveston, Texas 77550-7999

(Address of principal executive offices) (Zip Code)

(409) 763-4661

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

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

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

The aggregate market value on June 30, 2016 (the last business day of the registrant s most recently completed second fiscal quarter) of the voting stock held by non-affiliates of the registrant was approximately $824.6 million. For purposes of the determination of the above-stated amount, only directors, executive officers and 10% shareholders are presumed to be affiliates, but neither the registrant nor any such person concedes that they are affiliates of registrant.

As of February 15, 2017, there were 26,914,516 shares of the registrant s voting common stock, $1.00 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Information called for in Part III of this Form 10-K is incorporated by reference to the registrant s Definitive Proxy Statement to be filed within 120 days of the close of the registrant s fiscal year in conjunction with the registrant s annual meeting of shareholders.

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AMERICAN NATIONAL INSURANCE COMPANY

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PART I

ITEM 1. BUSINESS

Company Overview

American National Insurance Company has over 110 years of experience. We have maintained our corporate headquarters in Galveston, Texas since our founding in 1905. Our core businesses are life insurance, annuities and property and casualty insurance. We also offer limited health insurance. We provide personalized service to approximately six million policyholders throughout the United States, the District of Columbia, and Puerto Rico.

In this document, we refer to American National Insurance Company and its subsidiaries as the Company, we, our, and us.

Our vision is to be a leading provider of financial products and services for current and future generations. For more than a century, we have maintained a conservative business approach and corporate culture. We have an unwavering commitment to serve our policyholders, agents, and shareholders by providing excellent customer service and competitively priced and diversified products. We are committed to profitable growth, which enables us to remain financially strong. Acquisitions that are strategic and offer synergies may be considered, but they are not our primary source of growth. We invest regularly in our distribution channels and markets to fuel internal growth.

We are committed to excellence and maintaining high ethical standards in all our business dealings. Disciplined adherence to our values has allowed us to deliver consistently high levels of customer service through talented people, who are at the heart of our business.

Business Segments

Our family of companies includes six life insurance companies, eight property and casualty insurance companies, and numerous non-insurance subsidiaries. The business segments and the principal products they offer or manage follow.

Life Segment

Whole Life. Whole life products provide a guaranteed benefit upon the death of the insured in return for the periodic payment of a fixed premium over a predetermined period. Premium payments may be required for the entire life of the contract, to a specified age or a fixed number of years, and may be level or change in accordance with a predetermined schedule. Whole life insurance includes some policies that provide a participation feature in the form of dividends. Policyholders may receive dividends in cash or apply them to increase death benefits or cash values available upon surrender, or reduce the premiums required to maintain the contract in-force.

Term Life. Term life products provide a guaranteed benefit upon the death of the insured for a specified time period in return for the periodic payment of premiums. Coverage periods typically range from one to thirty years, but in no event longer than the period over which premiums are paid.

Universal Life. Universal life insurance products provide coverage through a contract that gives the policyholder flexibility in premium payments and coverage amounts. Universal life products may allow the policyholder, within certain limits, to increase or decrease the amount of death benefit coverage over the term of the contract and to adjust the frequency and amount of premium payments. Universal life products are interest rate sensitive, and we determine the interest crediting rates, subject to policy specific minimums.

Equity-indexed universal life products have the same features as the universal life products, but also provide an opportunity for policyholders to earn additional return through credited interest tied to the performance of a particular stock index, such as the S&P 500.

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Variable Universal Life. Variable universal life products provide insurance coverage on a similar basis as universal life, except that the policyholder bears the investment risk because the value of the policyholder s account balance varies with the investment experience of the securities held in the separate account investment options selected by the policyholder.

Credit Life Insurance. Credit life insurance products are sold in connection with a loan or other credit account. Credit life insurance products are designed to pay to the lender the borrower s remaining debt on a loan or credit account if the borrower dies during the coverage period.

Annuity Segment

Deferred Annuity. A deferred annuity is an asset accumulation product. Deposits are received as a single premium deferred annuity or in a series of payments for a flexible premium deferred annuity. Deposits are credited with interest at our determined rates subject to policy minimums. For certain limited periods of time, usually from one to ten years, interest rates are guaranteed not to change. Deferred annuities usually have surrender charges that begin at issue and reduce over time and may have market value adjustments that can increase or decrease any surrender value.

An equity-indexed deferred annuity is credited with interest using a return that is based on changes in an index, such as the S&P 500 Composite Stock Price Index, subject to a specified minimum.

Single Premium Immediate Annuity (SPIA). A SPIA is purchased with one premium payment, providing periodic (usually monthly or annual) payments to the annuitant for a specified period, such as for the remainder of the annuitant s life. Return of the original deposit may or may not be guaranteed, depending on the terms of the annuity contract.

Variable Annuity. With a variable annuity the policyholder bears the investment risk because the value of the policyholder s account balance varies with the investment experience of the securities held in the separate account investment options selected by the policyholder. Our variable annuity products have no guaranteed minimum withdrawal benefits.

Health Segment

Medicare Supplement. Medicare Supplement insurance is a type of private health insurance designed to supplement or pay the costs of certain medical services not covered by Medicare.

Supplemental Insurance. Supplemental insurance is designed to provide supplemental coverage for specific events or illnesses such as cancer and accidental injury or death.

Stop-Loss. Stop-loss coverage is used by employers to limit their exposure under self-insured medical plans. Two coverages, which are usually offered concurrently, are available. Specific Stop-Loss provides coverage when claims for an individual reach a threshold; after the threshold is reached, the policy reimburses claims paid by the employer up to a coverage limit for each individual. Aggregate Stop-Loss reimburses the employer once the group s total paid claims reach a threshold.

Credit Disability. Credit disability (also called credit accident and health) insurance pays a limited number of monthly payments on a loan or credit account if the borrower becomes disabled during the coverage period.

Medical Expense. Medical expense insurance covers most health expenses including hospitalization, surgery and outpatient services (excluding dental and vision costs). We no longer market these products and existing contracts are in run-off.

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Property and Casualty Segment

Personal Lines. Personal lines include insurance policies sold to individuals for auto, homeowners and other exposures. Auto insurance covers specific risks involved in owning and operating an automobile. Homeowner insurance provides coverage that protects the insured owner s or renter s property against loss from perils. Other personal insurance provides coverage for property such as boats, motorcycles and recreational vehicles.

Commercial Lines. Agricultural business insurance is the majority of our commercial lines. This includes property and casualty coverage tailored for a farm, ranch, vineyard or other agricultural business, contractors, and business within rural and suburban markets. Commercial auto insurance is typically issued in conjunction with the sale of our Agricultural business insurance and covers specific risks involved in owning and operating vehicles. Other commercial insurance is offered along with our Agricultural business and encompasses property, liability and workers compensation coverages.

Credit-Related Property Insurance Products. We primarily offer the following credit insurance products:

Collateral or *Creditor Protection Insurance* (CPI). CPI provides insurance against loss, expense to recover, or damage to personal property pledged as collateral (typically automobiles and homes) resulting from fire, burglary, collision, or other loss occurrence that would either impair a creditor s interest or adversely affect the value of the collateral. The coverage is purchased from us by the lender according to the terms of the credit obligation and charged to the borrower by the lender when the borrower fails to provide the required insurance.

Guaranteed Auto Protection or *Guaranteed Asset Protection* (GAP). GAP insures the excess outstanding indebtedness over the primary property insurance benefits that may occur when there is a total loss to or an unrecovered theft of the collateral. GAP can be written on a variety of assets that are used as collateral to secure credit; however, it is most commonly written on automobiles.

Mortgage Security Insurance (MSI). MSI program insures a lender s interest in residential or commercial mortgaged property by providing coverage when the mortgagor fails to insure the property subject to the mortgage, or for property that has been foreclosed by the lender. The Named Insured, i.e. Lender, may choose to purchase this coverage in their entire portfolio or specific segments of their portfolio meeting eligibility criteria under this program. Optional liability coverage is also available for real estate owned property.

Corporate and Other Segment Our Corporate and Other segment is primarily our invested assets not matched with our insurance activities. It also includes our non-insurance subsidiaries, such as our limited investment advisory services.

Marketing Channels

Product distribution is managed to satisfy specific markets, maintain brand identities and minimize channel conflict across our marketing channels described below. When possible, products are cross-sold to maximize product offerings and return on investment in products and distribution.

Independent Marketing Group (IMG) distributes life insurance and annuities through independent agents serving middle and affluent markets, as well as niche markets such as the small pension plan sponsor. IMG provides products and services to clients in need of wealth protection, accumulation, distribution, and transfer. Products are marketed through financial institutions, large marketing organizations, employee benefit firms, broker-dealers, and independent insurance agents and brokers.

IMG also markets to individuals who favor purchasing insurance directly from an insurance company. It offers life insurance to middle-income customers through channels including direct mail, internet and call centers.

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Career Sales and Service Division s (CSSD) can be traced to the Company s founding in 1905, and offers life insurance, annuities, and limited benefit health insurance products through exclusive employee agents primarily to the middle-income market. CSSD s business model is structured to distribute new products as well as provide personalized service to the customer by agents located throughout much of the United States. CSSD has evolved its operations to offer a wider variety of products and alternative payment options to meet the changing needs of the customer.

Multiple-line offers life insurance, health insurance, annuities, and property and casualty insurance primarily through dedicated agents. Multiple-line serves individuals, families, agricultural clients, and small business owners at all income levels. Policyholders can generally do all their insurance business with a single agent, which has been identified as an important driver to client satisfaction.

Health Insurance Division through independent agents and managing general underwriters (MGU), serves the needs of a variety of markets including middle-income seniors, self-insured employers, and the special needs of individuals through supplemental products. The Health Division offers an array of life and health insurance products for these growing segments of the population, including group life products, supplemental health insurance products, and health reinsurance. It remains committed to traditional Medicare Supplement products. The Health Division also administers the health insurance products sold by other marketing channels.

Credit Insurance Division offers products that provide protection to borrowers and the lenders that extend credit to them. Products offer coverage against unpaid indebtedness as a result of death, disability, involuntary unemployment or untimely loss to the collateral securing a personal or mortgage loan. Distribution includes general agents who market to financial institutions, automobile dealers, and furniture dealers. These general agents are given non-exclusive authority to solicit insurance within a specified geographic area and to appoint and supervise subagents.

Policyholder Liabilities

We record the amounts for policyholder liabilities in accordance with U.S. generally accepted accounting principles (GAAP) and the standards of practice of the American Academy of Actuaries. We carry liabilities for future policy benefits associated with base policies and riders, unearned mortality charges and future disability benefits, for other policyholder liabilities associated with unearned premiums and claims payable, and for unearned revenue and the unamortized portion of front-end fees. We also establish liabilities for unpaid claims and claim adjustment expenses, including those that have been incurred but not yet reported. In addition, we carry liabilities for secondary guarantees relating to certain life policies, and fair value reserves associated with embedded derivatives on equity indexed products.

Pursuant to state insurance laws, we establish statutory reserves, which are reported as liabilities, and which generally differ from future policy benefits determined using GAAP on our respective policies. These statutory reserves are established in amounts sufficient to meet policy and contract obligations, when taken together with expected future premiums and interest at assumed rates.

Additional information regarding our policyholder liabilities may be found in Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates *Reserves* section.

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Risk Management

A conservative operating philosophy was a founding principle for our Company. We manage risks throughout the Company by employing controls in our insurance and investment functions. These controls are designed to both place limits on activities and provide reporting information that helps shape adjustments to existing controls. The Company s Board of Directors oversees a formal enterprise risk management program to coordinate risk management efforts and to provide reasonable assurance that risk taking activities are aligned with strategic objectives. The Board Audit Committee assists the Board in its risk management oversight. The risk management program includes a corporate risk officer who chairs a Management Risk Committee to ensure consistent application of the enterprise risk management process across all business segments. We also use several other senior management committees to support the discussion and enforcement of risk controls in the management of the Company.

Our insurance products are designed to balance features desired by the marketplace with provisions that mitigate our risk exposures across our insurance portfolio. We employ underwriting standards to ensure proper rates are charged to different classes of risks. In our life insurance and annuity products, we mitigate the risk of disintermediation through the use of surrender charges and market value adjustment features.

The process of linking the timing and the amount of paying obligations related to our insurance and annuity contracts and the cash flows and valuations of the invested assets supporting those obligations is commonly referred to as asset-liability management (ALM). Our ALM Committee regularly monitors the level of risk in the interaction of assets and liabilities and helps shape actions intended to attain our desired risk-return profile. Investment allocations and duration targets are also intended to manage the risk exposure in our annuity products by setting the credited rate within a range supported by these investments. Tools which help shape investment decisions include deterministic and stochastic interest rate scenario analyses using a licensed, third party economic scenario generator and detailed insurance ALM models. These models also use experience related to surrenders and death claims.

We also manage risk by purchasing reinsurance to limit exposure on any one insurance contract or any single event or series of events. Our reinsurance program provides coverage for some individual risks with exposures above certain amounts as well as exposure to catastrophes including hurricanes, tornadoes, wind and hail events, earthquakes, fires following earthquakes, winter storms, and wildfires. We purchase reinsurance from many providers and we are not dependent on any single reinsurer. We believe that our reinsurers are currently reputable and financially secure, and we regularly review the financial strength ratings of our reinsurers with the goal of ensuring they meet established thresholds. Reinsurance does not remove our liability to pay our policyholders, and we remain liable to our policyholders for the risks we insure. The operating and financial condition of our reinsurers can change between the time reinsurance is purchased and when claims become payable, which can increase our risk.

In our Property and Casualty segment, the use of catastrophic event models is an important element of risk management. These models assist us in the measurement and management of exposure concentrations and the amount and structure of reinsurance purchases. In addition to reinsurance, we manage exposure to catastrophic risk by limiting homeowners business in coastal areas, implementing hurricane, wind and hail deductible requirements where appropriate, and not renewing coverage in regions where exposure to risky events exceeds our risk appetite.

Pricing

We establish premium rates for life and health insurance products using assumptions as to future mortality, morbidity, persistency, and expenses, all of which are estimates generally based on our experience, industry data, projected investment earnings, competition, regulation and legislation. Premium rates for property and casualty insurance are influenced by many factors, including the estimated frequency and severity of claims, expenses, state regulation and legislation, and general business and economic conditions, including market interest rates and inflation. Profitability is affected to the extent actual experience deviates from our pricing assumptions.

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Payments for certain annuity and life products are not recognized as revenues, but are deposits added to policyholder account balances. Revenues from these products are charges to the account balances for the cost of insurance risk and administrative fees and, in some cases surrender fees. Profits are earned to the extent these revenues exceed actual costs. Profits are also earned from investment income on assets invested from the deposits in excess of the amounts credited to policyholders.

Premiums for accident and health policies with medical expense components must take into account the rising utilization and cost of medical care. The annual rate of medical cost inflation has historically been higher than the general rate of inflation, requiring frequent rate increases, most of which are subject to approval by state regulatory agencies.

Credit Life and Health rates are set by each state. These rates are the maximum amounts that may be charged. We may charge a lower rate to reflect a variety of factors including better than expected experience, compensation adjustments, and competitive forces. In the event that an account experiences poor experience, we may request a rate increase from the applicable state.

Competition

We compete principally on the breadth of our product offerings, reputation, marketing expertise and support, the scope of our distribution systems, financial strength and ratings, product features and prices, customer service, claims handling, and in the case of producers, compensation. The market for insurance, retirement and investment products continues to be highly fragmented and competitive. We compete with a large number of domestic and foreign insurance companies, many of which offer one or more similar products. In addition, for products that include an asset accumulation component, our competition includes domestic and foreign securities firms, investment advisors, mutual funds, banks and other financial institutions.

Several competing insurance carriers are larger than we are, and have brands that are more commonly known and spend significantly more on advertising than we do. We remain competitive with these commonly known brands by managing costs, providing attractive coverage and service, maintaining positive relationships with our agents, and maintaining our financial strength ratings.

Ratings

Rating agencies provide independent opinions or ratings regarding the capacity of an insurance company to meet the contractual obligations of its insurance policies and contracts. These ratings are based on each rating agencies quantitative and qualitative evaluation of a company and its management strategy. The rating agencies do not provide ratings as a recommendation to purchase insurance or annuities, nor as a guarantee of an insurer s current or future ability to meet contractual obligations. Each agency s rating should be evaluated independently of any other rating. Ratings may be changed, suspended, or withdrawn at any time.

Our current insurer financial strength rating from two of the most widely referenced rating organizations as of the date of this filing are as follows:

A.M. Best Company: A [(1)]

Standard & Poor s (S&P)[2] A

(1) A.M. Best s active company rating scale consists of thirteen ratings ranging from A++ (Superior) to D (poor).
(2) S&P s active company ratings scale AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

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Regulation Applicable to Our Business

Our insurance operations are subject to extensive regulation, primarily at the state level. Such regulation varies by state but generally has its source in statutes that establish requirements for the business of insurance and that grant broad regulatory authority to a state agency. Insurance regulation has a substantial effect and governs a wide variety of matters, such as insurance company licensing, agent and adjuster licensing, policy benefits, price setting, accounting practices, product suitability, the payment of dividends, the nature and amount of investments, underwriting practices, reserve requirements, marketing and advertising practices, privacy, policy forms, reinsurance reserve requirements, risk and solvency assessments, mergers and acquisitions, capital adequacy, transactions with affiliates, participation in shared markets and guaranty associations, claims practices, the remittance of unclaimed property, and enterprise risk requirements. The models for state laws and regulations often emanate from the National Association of Insurance Commissioners (NAIC).

State insurance departments monitor compliance with regulations through periodic reporting procedures and examinations. At any given time, financial, market conduct or other examinations of our insurance companies may be occurring.

The U.S. federal government presence in insurance oversight was expanded by the Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd Frank). Dodd-Frank s requirements include streamlining the state-based regulation of reinsurance and non-admitted insurance. Dodd-Frank also established the Federal Insurance Office (FIO) within the U.S. Department of the Treasury, which is authorized to, among other things, gather data and information to monitor aspects of the insurance industry, identify certain issues in the regulation of insurers, and preempt state insurance measures under certain circumstances. Although President Trump s administration has announced a desire to repeal or scale back Dodd-Frank, it remains uncertain at this time when and to what extent any such changes to Dodd-Frank will ultimately be implemented. Whether or not Dodd-Frank is repealed or amended, it is possible that there may be further federal incursion into the business of insurance, which may add significant legal complexity and associated costs to our business.

Regulatory matters having the most significant effects on our insurance operations and financial reporting are described further below. In addition, Item 1A, Risk Factors, Litigation and Regulation Risk Factors, below discusses significant risks presented to our business by extensive regulation and describes certain other laws and regulations that are or may become applicable to us.

Limitations on Dividends by Insurance Subsidiaries. Dividends received from our insurance subsidiaries represent one source of cash for us. Our insurance subsidiaries ability to pay dividends is restricted by state law and impacted by federal income tax considerations.

Holding Company Regulation. We are an insurance holding company system under the insurance laws of the states where we do business. Our insurance companies are organized under the laws of Texas, Missouri, New York, Louisiana, and California. Insurance holding company system laws and regulations in such states generally require periodic reporting to state insurance regulators of various business, risk management and financial matters and advance notice to, or in some cases approval by, such regulators prior to certain transactions between insurers and their affiliates. These laws also generally require regulatory approval prior to the acquisition of a controlling interest in an insurance company. These requirements may deter or delay certain transactions considered desirable by management or our stockholders.

Price Regulation. Nearly all states have laws requiring property and casualty and health insurers to file price schedules and most insurers to file policy or coverage forms, and other information with the state s regulatory authority. In many cases these must be approved prior to use. The objectives of pricing laws vary, but generally a price cannot be excessive, inadequate or unfairly discriminatory. Prohibitions on discriminatory pricing apply in the context of certain products as well.

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Our ability to adjust prices is often dependent on the applicable pricing law and our ability to demonstrate to the particular regulator that current or proposed pricing complies with such law. In states that significantly restrict underwriting selectivity, we can manage our risk of loss by charging a price that reflects the cost and expense of providing insurance products. In states that significantly restrict price-setting ability, we can manage our risk of loss by being more selective in underwriting. When a state has significant underwriting and pricing restrictions, it becomes more difficult to manage our risk of loss, which can impact our willingness and ability to market products in such states.

Guaranty Associations and Involuntary Markets. State laws allow insurers to be assessed, subject to prescribed limits, insurance guaranty fund fees to pay certain obligations of insolvent insurance companies. In addition, to maintain our licenses to write property and casualty insurance in various states, we are required to participate in assigned risk plans, reinsurance facilities, and joint underwriting associations that provide various insurance coverages to purchasers that otherwise are unable to obtain coverage from private insurers. Underwriting results related to these arrangements, which tend to be adverse, have not been material to our results of operations.

Investment Regulation. Insurance company investment regulations require investment portfolio diversification and limit the amount of investment in certain asset categories. Failure to comply with these regulations leads to the treatment of non-conforming investments as non-admitted assets for measuring statutory surplus. In some instances, these rules require sale of non-conforming investments.

Exiting Geographic Markets, Canceling and Non-Renewing Policies. Most states regulate an insurer s ability to exit a market by limiting the ability to cancel and non-renew policies. Some states prohibit an insurer from withdrawing one or more types of insurance business from the state, except pursuant to an approved plan. These regulations could restrict our ability to exit unprofitable markets.

Statutory Accounting. Financial reports to state insurance regulators utilize statutory accounting practices as defined in the Accounting Practices and Procedures Manual of the NAIC, which are different from GAAP. Statutory accounting practices, in keeping with the intent to assure the protection of policyholders, are generally based on a solvency concept, while GAAP is based on a going-concern concept. While not a substitute for GAAP performance measures, statutory information is used by industry analysts and reporting sources to compare the performance of insurance companies. Maintaining both GAAP and Statutory financial records increases our business costs.

Insurance Reserves. State insurance laws require life and property and casualty insurers to annually analyze the adequacy of statutory reserves. Our appointed actuaries must submit an opinion that policyholder and claim reserves are adequate.

Risk-Based Capital and Solvency Requirements. The NAIC has a formula for analyzing capital levels of insurance companies called risk-based capital (RBC). The RBC formula has minimum capital thresholds that vary with the size and mix of a company s business and assets. It is designed to identify companies with capital levels that may require regulatory attention. At December 31, 2016, American National Insurance Company and each of its insurance subsidiaries were more than adequately capitalized and exceeded the minimum RBC requirements.

Securities Regulation. The sale and administration of variable life insurance and variable annuities are subject to extensive regulation at the federal and state level, including by the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). Our variable annuity contracts and variable life insurance policies are issued through separate accounts that are registered with the SEC as investment companies under the

Investment Company Act of 1940. Each registered separate account is generally divided into sub-accounts, each of which invests in an underlying mutual fund that is itself a registered investment company under such act. In addition, the variable annuity contracts and variable life insurance policies issued by the separate accounts are registered with the SEC under the Securities Act of 1933. The U.S. federal and state regulatory authorities and FINRA from time to time make inquiries and conduct examinations regarding our compliance with securities and other laws and regulations.

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In addition, our periodic reports and proxy statements to stockholders are subject to the requirements of the Securities Exchange Act of 1934 and corresponding rules of the SEC, and our corporate governance processes are subject to regulation by the SEC and the NASDAQ Stock Market. Our registered wholesale broker-dealer and registered investment adviser subsidiaries are subject to regulation and supervision by the SEC, FINRA and, in some cases, state securities administrators.

Suitability. FINRA rules require broker-dealers selling variable insurance products to determine that transactions in such products are suitable to the circumstances of the particular customer. In addition, most states have enacted the NAIC s Suitability in Annuity Transactions Model Regulation that, in adopting states, places suitability responsibilities on insurance companies in the sale of fixed and indexed annuities, including responsibilities for training agents.

Protection of Consumer Information. U.S. federal laws, such as the Gramm-Leach-Bliley Act, and the laws and regulations of some states regulate disclosures of certain customer information and require us to protect the security and confidentiality of such information. Such laws also require us to notify customers about our policies and practices relating to the collection, protection and disclosure of confidential customer information. State and federal laws, such as the federal Health Insurance Portability and Accountability Act regulate our use, protection and disclosure of certain personal health information.

In addition, the Fair Credit Reporting Act (the FCRA) is a federal law that governs the use and sharing of consumer credit information provided by a consumer reporting agency. Requirements under the FCRA apply to an insurer if such insurer obtains and uses consumer credit information to underwrite insurance. Such requirements may include obtaining the consumer s consent and providing various notices to the consumer. While the use of consumer credit information in the underwriting process is expressly authorized by the FCRA, various states have issued regulations that limit or prohibit the use of consumer credit information by insurers.

Cybersecurity. The NAIC is working to develop a state model law to establish standards for data security, which includes overseeing third-party service providers, establishing standards for investigating a data breach, and providing requirements for notifying regulators and consumers. While it is not mandatory for insurers to comply with an NAIC model law, nor for states to adopt the model law, state and federal legislators and regulators are likely to look to the model law for guidance in proposing new legislation and as a standard to which insurance companies could be held in decisions on whether to bring enforcement actions. In addition, the New York Department of Financial Services has adopted a regulation that will require us to establish and maintain a cybersecurity program that meets the requirements of such regulation.

Anti-Money Laundering. Federal law and regulation requires us to take certain steps to help prevent and detect money laundering activities. The USA PATRIOT Act of 2001 contains anti-money laundering and financial transparency requirements applicable to certain financial services companies, including insurance companies. The Bank Secrecy Act requires insurers to implement a risk-based compliance program to detect, deter and (in some cases) report financial or other illicit crimes including, but not limited to, money laundering and terrorist financing. The Office of Foreign Assets Control (OFAC), a division of the U.S. Treasury Department, administers and enforces economic and trade sanctions. For certain transactions, an insurer may be required to search policyholder, agent, vendor and employee databases for specially designated nationals or suspected terrorists, in order to comply with OFAC obligations.

Environmental Considerations. As an owner and operator of real property, we are subject to extensive federal, state and local environmental laws and regulations. Inherent in such ownership and operation is the risk that there may be potential environmental liabilities and costs in connection with any required remediation of such properties. We routinely have environmental assessments performed with respect to real estate being acquired for investment or through foreclosure, but we cannot provide assurance that unexpected environmental liabilities will not arise. In addition, we hold equity interests in companies that could potentially be subject to environmental liabilities. Based on information currently available to us, management believes that any costs associated with compliance with environmental laws and regulations or any required remediation will not have a material adverse effect on our business, results of operations or financial condition.

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Other types of regulations that affect us include insurable interest laws, employee benefit plan laws, antitrust laws, employment and labor laws, and federal and state tax laws. Failure to comply with federal and state laws and regulations may result in censure; the issuance of cease-and-desist orders; suspension, termination or limitation of the activities of our operations and/or our employees and agents; or the obligation to pay fines, penalties, assessments, interest, or additional taxes and wages. In some cases, severe penalties may be imposed for breach of these laws. We cannot predict the impact of these actions on our businesses, results of operations or financial condition.

Employees

As of December 31, 2016, we had approximately 4,597 employees. We consider our employee relations to be good.

Available Information

We file periodic and current reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, N.E., Washington D.C. 20549 or by calling the SEC at 1-800-SEC-0330. The SEC maintains a website (www.sec.gov) that contains reports, proxy statements, and other information regarding issuers that file electronically with the SEC.

Our press releases, financial information and reports filed with the SEC (for example, Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those forms) are available online at www.americannational.com. The reference to our website does not constitute the incorporation by reference of information contained at such website into this, or any other, report. Copies of any documents on our website are available without charge, and reports filed with or furnished to the SEC will be available as soon as reasonably practicable after they are filed with or furnished to the SEC.

ITEM 1A. RISK FACTORS

Our performance is dependent on our ability to manage complex operational, financial, legal, and regulatory risks and uncertainties throughout our operations. The most significant of these risks and uncertainties are described below. Any of these, individually or in the aggregate, could materially adversely impair our business, financial condition or results of operations, particularly if our actual experience differs from our estimates and assumptions. While our enterprise risk management framework contains various strategies, processes, policies and procedures to address these risks and uncertainties, we cannot be certain that these measures will be implemented successfully in all circumstances. In addition, we could experience risks that we failed to identify, or risks of a magnitude greater than expected.

Economic and Investment Market Risk Factors

Our results of operations are materially affected by economic and political conditions in the U.S. and elsewhere. The strength and sustainability of economic activity is inherently uncertain. Factors such as continuing unemployment, declining workforce participation, consumer prices, geopolitical issues, energy prices, stagnant family incomes, consumer confidence and spending, and increased student and consumer debt can adversely affect the economy and demand for our products. For example, difficult credit conditions may adversely affect purchases of credit-related insurance products, or our policyholders may choose to defer or stop paying insurance premiums, resulting in higher lapses or surrenders of policies.

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Interest rates have a significant impact on our business and on consumer demand for our products. Some of our products, principally interest-sensitive life insurance and fixed annuities, expose us to the risk that changes in interest rates may reduce our spread, or the difference between the amounts we earn on investment and the amount we must pay under our contracts. Persistently low (or lower) interest rates, compound this spread compression. When market interest rates decrease or remain at relatively low levels, prepayments and redemptions affecting our investment securities and mortgage loan investments may increase as issuers and borrowers seek to refinance at a lower rate. Proceeds from maturing, prepaid or sold bonds or mortgage loan investments may be reinvested at lower yields, reducing our spread. Our ability to decrease product crediting rates in response may be limited by market and competitive conditions and by regulatory or contractual minimum rate guarantees. Conversely, increases in market interest rates can also have negative effects. For example, increasing rates on other insurance or investment products offered to our customers by competitors can lead to higher surrenders at a time when fixed maturity investment asset values are lower. We may react to market conditions by increasing crediting rates, which narrows spreads. In addition, when interest rates rise, the value of our investment portfolio may decline due to decreases in the fair value of our securities. While we use ALM processes to mitigate the effect on our spreads of changes in interest rates, they may not be fully effective. See the Risk Management discussion in Item 1 above and the General Trends discussion in Part II, Item 7 below for further details about interest rates and our ALM processes. Recently, the Board of Governors of the Federal Reserve System has moved towards normalizing monetary policy from the programs of recent years that have fostered a historically low interest rate environment. In addition to resulting in higher interest rates, this move could generate volatility in debt and equity markets and could hamper continued economic recovery.

Fluctuations in the markets for fixed maturity securities, equity securities, and commercial real estate could adversely affect our business. Investment returns are an important part of our profitability. Substantially all investments, including our fixed income, equity, real estate and mortgage loan investment portfolios, are subject to market and credit risks, including market volatility and deterioration in the credit or prospects of companies or governmental entities in which we invest. We could incur significant losses from such risks, particularly during extreme market events. The concentration of our investments in any particular industry, group of related industries or government issuers, or geographic sector can compound these risks.

In addition to negatively affecting investment returns, equity market downturns and volatility can have other adverse effects on us. First, equity market downturns and volatility may discourage new purchases of our products that have returns linked to the performance of the equity market and may cause some existing customers to withdraw cash values or reduce investments in such products, in turn reducing our fee revenues. Second, the guarantees that certain products provide, may cost more than expected in volatile or declining equity market conditions, which could negatively affect our earnings. Third, our estimates of liabilities and expenses for pension and other postretirement benefits incorporate assumptions regarding the rate used to discount estimated future liabilities and the long-term rate of return on plan assets. Declines in the discount rate or the rate of return on plan assets, both of which are influenced by potential investment returns, could increase our required cash contributions or pension-related expenses in future periods.

Some of our investments are relatively illiquid. Investments in privately placed securities, mortgage loans, and real estate, including real estate joint ventures and other equity interests, are relatively illiquid. If we suddenly require significant amounts of cash in excess of ordinary cash requirements, it may be difficult or not possible to sell these investments in an orderly manner for a favorable price.

Operational Risk Factors

Our actual experience could differ from our estimates and assumptions regarding product pricing, the fair value and future performance of our investments, and the realization of deferred tax assets. Our product pricing includes long-term assumptions such as investment returns, mortality, morbidity (the rate of incidence of illness), persistency (the rate at which policies remain in-force), and operating expenses. Our profitability substantially depends on actual experience being consistent with or better than these assumptions. If we fail to appropriately price our insured risks, or if claims experience is more severe than we assumed, our earnings and financial condition may be negatively affected. Conversely, significantly overpriced risks may negatively impact new business sales and retention of existing business.

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Our loss reserves are estimates of amounts needed to pay and administer incurred claims and, as such, are inherently uncertain; they do not and cannot represent exact measures of liability. Inflationary events, especially events outside of historical norms, or regulatory changes that affect the assumptions underlying our estimates can cause variability. For example, increases in costs for auto parts and repair services, construction costs, and commodities result in higher losses for property damage claims. Accordingly, our loss reserves could prove to be inadequate to cover our actual losses and related expenses. See Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates *Reserves* for additional information.

With respect to our investments, the determination of estimates for allowances and impairments varies by investment type and is based upon our periodic evaluation of known and inherent risks associated with the respective asset class. Historical trends and assumed changes may not be indicative of future impairments or allowances. See Note 2, Summary of Significant Accounting Policies and Practices, of the Notes to the Consolidated Financial Statements for further description of our evaluation of impairments.

Assumptions regarding the future realization of deferred tax assets are dependent upon estimating the generation of sufficient future taxable income, including capital gains. If future events differ from our current forecasts and it is determined that deferred tax assets cannot be realized, a deferred tax valuation allowance must be established, with a charge to expenses.

Interest rate fluctuations and other events may require us to accelerate the amortization of deferred policy acquisition costs (DAC). When interest rates rise, life and annuity surrenders and withdrawals may increase as policyholders seek to buy products with higher or perceived higher returns, impacting estimates of future profits. Significantly lower future profits may cause us to accelerate DAC amortization, and such acceleration could adversely affect our results of operations to the extent such amortization exceeds any surrender or other charges earned as income upon surrender and withdrawal. See also Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates, and Part II, Item 8, Financial Statements and Supplementary Data Note 2, Summary of Significant Accounting Policies and Practices, and Note 10, Deferred Policy Acquisition Costs, of the Notes to the Consolidated Financial Statements for additional information.

We may be unable to maintain the availability and performance of our systems and safeguard our data. We rely on the availability, reliability, and security of our information-processing infrastructure, system platforms, and business applications to store, process, retrieve, calculate and evaluate customer and company information. In certain lines of our business, our information technology and telecommunication systems interface with and rely upon third-party services. We are highly dependent on the ability to access these external services for necessary business functions, such as acquiring new business, managing existing business, paying claims, and ensuring timely and accurate financial reporting. Furthermore, we have developed or evolved strategies and processes to maintain and enhance our existing technology and processing infrastructure and information systems and to replace certain information systems to keep pace with changes in technology, changing customer preferences and expectations, and evolving industry and regulatory standards. However, system failures, extended outages, or damage or destruction to systems, whether caused by intentional or unintentional acts or events, as well as difficulties arising from the implementation of security-threat system patches, third party system upgrades, and new systems and technologies, could compromise our ability to perform critical functions on a timely basis. If these systems were inaccessible or inoperable due to natural or man-made disasters, or if they fail to function effectively or as designed, the resulting disruptions may impede or interrupt our business operations.

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We receive and transmit confidential data with and among customers, agents, financial institutions and selected third party vendors and service providers. We have invested significant time and resources towards preventing and mitigating data security risks through several layers of data intrusion and detection protection technologies, designs and authentication capabilities. Our efforts may not be effective against all security threats and breach attempts in light of increasingly complex and persistent threat techniques and the evolving sophistication of cyber-attacks. A breach, whether from external or internal sources, could result in access, viewing, misappropriation, altering or deleting information in ours or a third party s systems on which we rely, including customers and employees personal and financial information and our proprietary business information. Like other companies, we have experienced threats to our data and systems, including malware, seeking to gain unauthorized access to systems and data or to cause disruptions; however, to date, these have not been material to our operations. Any significant attacks, unauthorized access or disclosures, disruptions or other security breaches, whether affecting us or third parties, could result in substantial business disruption, costs and consequences, including repairing systems, increased security costs, customer notifications, lost revenues, litigation, regulatory action, fines and penalties, and reputational damage.

Employee and agent error and misconduct may be difficult to detect and prevent and may result in significant losses. The actions or inaction of our employees, agents, producers, managing general agents, managing general underwriters and third party administrators could result in losses arising from, among other things, fraud, errors, failure to document transactions properly, failure to obtain proper internal authorization, failure to maintain effective internal controls, or failure to comply with underwriting guidelines or regulatory requirements. It is not always possible to deter or prevent misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases.

Our business operations depend on our ability to appropriately distribute, execute and administer our policies and claims. Our primary business is writing and servicing life, annuity, property and casualty, and health insurance for individuals, families and business. Any problems or discrepancies that arise in our pricing, underwriting, billing, processing, claims handling or other practices, whether as a result of employee error, vendor error, or technological problems, could have a negative effect on operations and reputation, particularly if such problems or discrepancies are replicated through multiple policies.

The material weaknesses in our internal control over financial reporting may adversely impact our Company. As discussed below in Part II Item 9A Controls and Procedures, we concluded that our internal control over financial reporting was not effective as of December 31, 2016, because of material weaknesses in our internal controls over income taxes and over collateral relating to our use of option derivatives. We are currently working to remediate these material weaknesses. While we have performed additional analyses and other procedures, and either implemented or plan to implement and test remediation measures as of the filing date of this Form 10-K, these material weaknesses have not been fully remediated. Moreover, we cannot be sure when we will fully remediate these material weaknesses or whether compensating controls will be effective before then in preventing or detecting material errors.

It is necessary for us to maintain effective internal control over financial reporting to prevent fraud and errors and to maintain effective disclosure controls and procedures to provide timely and reliable financial and other information. A failure to maintain adequate internal controls may adversely affect our ability to provide information that accurately reflects our financial condition on a timely basis. This could cause an adverse effect on our business, results of operations and the market price of our stock if investors, customers, rating agencies, regulators or others lose confidence in our reported financial and other information, if we become subject to SEC or other regulatory review and sanctions, or if we become subject to litigation that results in substantial fines, penalties or liabilities.

We have devoted significant resources to remediate these weaknesses, and we have been monitoring the effectiveness of our improved procedures. We also intend to continue reviewing our procedures and implementing further improvements to our internal control procedures as necessary or warranted. However, we cannot be certain that these measures will ensure the adequacy of our controls over our financial processes and reporting in the future, or that there are no additional existing, but as yet undiscovered, weaknesses that we need to address.

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Catastrophic Event Risk Factors

We may incur significant losses resulting from catastrophic events. Our property and casualty operations are exposed to catastrophes caused by natural events, such as hurricanes, tornadoes, wildfires, droughts, earthquakes, snow, hail and windstorms, and manmade events, such as terrorism, riots, explosions, hazardous material releases, and utility outages. Our life and health insurance operations are exposed to the risk of catastrophic mortality or illness, such as a pandemic, an outbreak of an easily communicable disease, or another event that causes a large number of deaths or high morbidity. Our investment operations are exposed to catastrophes as a result of direct investments and mortgages related to real estate. Our operating results may vary significantly from one period to the next since the likelihood, timing, severity, number or type of catastrophe events cannot be accurately predicted. Our losses in connection with catastrophic events are primarily a function of the severity of the event and the amount of policyholder exposure in the affected area.

Some scientists believe climate change has added to the unpredictability, severity and frequency of extreme weather and loss events. To the extent climate change increases the frequency and severity of such events, we may face increased claims. Moreover, we cannot predict how legal, regulatory and social responses to concerns about global climate change will impact our business or the value of our investments.

The occurrence of events that are unanticipated in our business continuity and disaster recovery planning could impair our ability to conduct business effectively. Our corporate headquarters is located in Galveston, Texas, on the coast of the Gulf of Mexico and in the past has been impacted by hurricanes. Our League City, Texas offices are designed to support our operations and service our policyholders in the event of a hurricane or other natural disaster affecting Galveston. The primary offices of our property and casualty insurance companies are in Springfield, Missouri and Glenmont, New York, which helps to insulate these facilities and their operations from coastal catastrophes. However, the severity, timing, duration or extent of an event may be unanticipated by our business continuity planning, which could result in an adverse impact on our ability to conduct business. In the event a significant number of our employees or agents were unavailable following such a disaster, or if our computer-based data processing, transmission, storage and retrieval systems were affected, our ability to effectively conduct our business could be compromised.

Marketplace Risk Factors

Our future results are dependent in part on successfully operating in the insurance and annuity industries that are highly competitive with regard to customers and producers. Strong competition for customers has led to increased marketing and advertising by our competitors, many of whom have well-established national reputations and greater financial and marketing resources, as well as the introduction of new insurance products and aggressive pricing. In particular, our Medicare Supplement business is subject to intense price competition, which could negatively impact future sales of these products and affect our ability to offer this product. In addition, product development and life-cycles have shortened in many product segments, leading to intense competition with respect to product features.

We compete for customers funds with a variety of investment products offered by financial services companies other than insurance companies, such as banks, investment advisors, mutual fund companies and other financial institutions. Moreover, customer expectations are evolving as technology advances and consumers become accustomed to enjoying tailored, easy to-use-services and products from various industries. This is reshaping and raising consumer expectations when dealing with insurance. We are addressing these changing consumer expectations by investing in technology with a particular focus on consumer-facing sales and service platforms, by internally promoting a strategically-focused innovative culture initiative, and by creating internal forums to drive next generation solutions based on consumer insights. However, if we cannot effectively respond to increased competition and such increased consumer expectations, we may not be able to grow our business or we may lose market share.

We compete with other insurers for producers primarily on the basis of our financial position, reputation, stable ownership, support services, compensation, product features and pricing. We may be unable to compete with insurers that adopt more aggressive pricing or compensation, that offer a broader array of products or packages of products, or that have extensive promotional and advertising campaigns.

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Our supplemental health business could be negatively affected by alternative healthcare providers or changes in federal healthcare policy. Our Medicare Supplement business is impacted by market trends in the senior-aged healthcare industry that provide alternatives to traditional Medicare, such as health maintenance organizations and other managed care or private plans. The success of these alternative healthcare solutions for seniors could negatively affect the sales and premium growth of traditional Medicare Supplement insurance and could impact our ability to offer such products. In addition, Congress or the U.S. Department of Health and Human Services (HHS) could make changes in federal healthcare policy, including Medicare that could adversely impact our supplemental health business.

Litigation and Regulation Risk Factors

Litigation may result in significant financial losses and harm our reputation. Plaintiffs may bring lawsuits, including class actions, against us relating to, among other things, sales or underwriting practices, agent misconduct, product design, product disclosure, product administration, fees charged, denial or delay of benefits, product suitability, claims-handling practices (including the permitted use of aftermarket, non-original equipment manufacturer auto parts), loss valuation methodology, refund practices, and breaches of duties to customers. Plaintiffs may seek very large or indeterminate amounts, including punitive and treble damages. The damages claimed and the amount of any probable and estimable liability, if any, may remain unknown for substantial periods of time. Even when successful in the defense of such actions, we could incur significant attorneys fees, direct litigation costs and substantial amounts of management time that otherwise would be devoted to our business, and our reputation could be harmed.

We are subject to extensive regulation, and potential further regulation may increase our operating costs and limit our growth. We are subject to extensive insurance laws and regulations that affect nearly every aspect of our business. We are also subject to additional laws and regulations administered and enforced by a number of different governmental authorities, such as state securities and workforce regulators, the SEC, the Internal Revenue Service (IRS), FINRA, the U.S. Department of Justice, the U.S. Department of Labor (DOL), the U.S. Department of Housing and Urban Development (HUD), HHS, the Federal Trade Commission and state attorneys general, each of which exercises a degree of interpretive latitude. We face the risks that any particular regulator s or enforcement authority s interpretation of a legal issue may conflict with that of another regulator or enforcement authority or may change over time to our detriment. Regulatory investigations, which can be broad and unpredictable, may raise issues not identified previously and could result in new legal actions against us and industry-wide regulations that could adversely affect us. Further, we are experiencing increasing information requests from regulators without corresponding direct regulation being applicable to us, on issues such as climate change and our investments in certain companies or industries. Responding to such requests adds to our compliance burden.

The laws and regulations applicable to us are complex and subject to change, and compliance is time consuming and personnel-intensive. Changes in these laws and regulations, or interpretations by courts or regulators, may materially increase our costs of doing business and may result in changes to our practices that may limit our ability to grow and improve our profitability. Regulatory developments or actions against us could have material adverse financial effects and could cause harm to our reputation. Among other things, we could be fined, prohibited from engaging in some or all of our business activities, or made subject to limitations or conditions on our business activities.

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As insurance industry practices and legal, judicial, social, and other conditions outside of our control change, unexpected issues related to claims and coverage may emerge. These changes may include modifications to long established business practices or policy interpretations, which may adversely affect us by extending coverage beyond our underwriting intent or by increasing the type, number, or size of claims. For example, a growing number of states have adopted legislation that is similar to the Model Unclaimed Life Insurance Benefits Act. Such legislation imposes new requirements on insurers to periodically compare their life insurance and annuity contracts and retained asset accounts against the U.S. Social Security Administration s Death Master File, investigate any potential matches, determine whether benefits are payable, and attempt to locate beneficiaries. Some states are attempting to apply these laws retroactively to existing policies. A number of states have aggressively audited life insurance companies, including us and some of our subsidiaries, for compliance with such laws, and more states could do so. Such audits have sought to identify unreported insured deaths and to determine whether any unpaid benefits, proceeds or other payments under life insurance or annuity contracts should be treated as unclaimed property to be escheated to the state. We have modified our claims process to stay current with emerging trends. It is possible that such audits or additional enactment of similar legislation may result in additional payments to beneficiaries, additional escheatment of funds deemed abandoned under state laws, regulatory actions, litigation, administrative fines and penalties, interest, and additional changes to our procedures.

Federal regulatory changes and initiatives have a growing impact on us. For example, Dodd-Frank provides for enhanced federal oversight of the financial services industry through multiple initiatives. Provisions of Dodd-Frank are or may become applicable to us, our competitors, or certain entities with which we do business. For example, it is possible that regulations issued by the Consumer Financial Protection Bureau (CFPB) may extend, or be interpreted to extend, to the sale of certain insurance products by covered financial institutions, which could adversely affect sales of such products. The Federal Insurance Office, as a result of various studies it conducts, may also recommend changes in laws or regulations that affect our business.

We are subject to various conditions and requirements of the Patient Protection and Affordable Care Act of 2010 (the Healthcare Act). The Healthcare Act may affect the small blocks of business we have offered or acquired over the years that are, or deemed to be, health insurance. The Healthcare Act also influences the design of products sold by our Health segment, which may influence consumer acceptance of such products and the cost of monitoring compliance with the Healthcare Act. Moreover, the Healthcare Act affects the benefit plans we sponsor for employees or retirees and their dependents, our expense to provide such benefits, our tax liabilities in connection with the provision of such benefits, and our ability to attract or retain employees.

Certain federal regulation may impact our property and casualty operations. In 2013, HUD finalized a disparate impact regulation that may adversely impact our ability to differentiate pricing for homeowners policies using traditional risk selection analysis. Various legal challenges to this regulation are being pursued by the industry. If this regulation is implemented, whether or not modified by HUD, it is uncertain to what extent it may impact the property and casualty industry underwriting practices. Such regulation could increase litigation costs, force changes in underwriting practices, and impair our ability to write homeowners business profitably. In addition, Congress or states may enact legislation affecting insurers ability to use credit-based insurance scores as part of the property and casualty underwriting or rating process, which could force changes in underwriting practices and impair our property and casualty operations ability to write homeowners business profitably.

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There have been federal efforts to change the standards of care applicable to broker-dealers and investment advisers. The U.S. Department of Labor (DOL) has issued a regulation that will significantly expand the range of activities considered to be fiduciary investment advice under the Employee Retirement and Income Security Act of 1974 and the Internal Revenue Code of 1986. The DOL regulation is scheduled to be implemented beginning in April 2017, and it will impact individuals and entities that offer investment advice to those who purchase qualified retirement products, such as IRA s and qualified retirement plans. This regulation applies ERISA s fiduciary standard to many insurance agents, broker-dealers, advisers and others not currently subject to the standard, when they sell annuities to IRA s and qualified retirement plans. Further, it prohibits such individuals from receiving commission-based compensation from such sales unless they comply with a prohibited transaction exemption under the rule. It is possible that the rule, or its implementation date, could be affected by pending litigation or by the change in Presidential administrations. We will be following any such developments, but we expect to be ready to comply if the rule goes into effect as currently scheduled. Compliance with the rule may result in decreased premium on certain life and annuity products as a result of more limited sales opportunities through our current distribution arrangements. We may also experience a loss of some in-force business, as well as increased regulatory burdens and litigation risk. In addition, following a study required by Dodd-Frank, the staff of the SEC recommended a uniform fiduciary duty standard applicable to both broker-dealers and investment advisers when providing personalized investment advice to retail customers. It is not clear at the present time whether or when the SEC will ultimately implement this change. However, if implemented, it would apply a different standard of care than is currently applicable to broker-dealers and would affect how our variable insurance products are designed and sold.

International standards continue to emerge in response to the globalization of the insurance industry and evolving standards of regulation, solvency measurement and risk management. Any international conventions or mandates that directly or indirectly impact or influence the nature of U.S. regulation or industry operations could negatively affect us.

For further discussions of the kinds of regulation applicable to us, see Item 1, Business, Regulation Applicable to Our Business section.

Changes in tax laws could decrease sales and profitability of certain products and increase our tax cost. Under current U.S. federal and state income tax laws, certain products we offer, primarily life insurance and annuities, receive tax treatment designed to encourage consumers to purchase these products. This treatment may encourage some consumers to select our products over non-insurance products. The U.S. Congress from time to time may consider legislation that would change the taxation of insurance products and/or reduce the taxation of competing products. Such legislation, if adopted, could materially change consumer behavior, which may harm our ability to sell such products and result in the surrender of some existing contracts and policies. In addition, changes in the U.S. federal and state estate tax laws could negatively affect the demand for the types of life insurance used in estate planning. Uncertainty regarding the tax structure in the future may also cause some current or future purchasers to delay or indefinitely postpone the purchase of products we offer. Lastly, changes to the tax laws, administrative rulings or court decisions affecting U.S. corporations or the insurance industry could increase our effective tax rate and lower our net income.

New accounting rules or changes to existing accounting rules could negatively impact our business. We are required to comply with GAAP. A number of organizations are instrumental in the development and interpretation of GAAP, such as the SEC, the Financial Accounting Standards Board (FASB), and the American Institute of Certified Public Accountants. GAAP is subject to review by these organizations and others and is, therefore, subject to change in ways that could change the current accounting treatments we apply.

We also must comply with statutory accounting principles (SAP) in our insurance operations. SAP and various components of SAP (such as actuarial reserving methodology) are subject to review by the NAIC and its taskforces and committees, as well as state insurance departments.

Future changes to GAAP or SAP could impact our product mix, product profitability, reserve and capital requirements, financial condition or results of operations. See Note 3, Recently Issued Accounting Pronouncements, of the Notes to Consolidated Financial Statements for a detailed discussion regarding the impact of the recently issued accounting pronouncements and the future adoption of new accounting standards on the Company.

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Reinsurance and Counterparty Risk Factors

Reinsurance may not be available, affordable, adequate or collectible to protect us against losses. As part of our risk management strategy, we purchase reinsurance for certain risks that we underwrite. Market conditions and geo-political events beyond our control, including the continued threat of terrorism, influence the availability and cost of reinsurance for new business. In certain circumstances, the price of existing reinsurance contracts may also increase. Reinsurance does not relieve us of our direct liability to our policyholders, even when the reinsurer is liable to us. Our reinsurers may not pay the reinsurance recoverables owed to us or they may not pay these balances on a timely basis.

The counterparties to derivative instruments we use to hedge our business risks could default or fail to perform. We enter into derivative contracts, such as options, with a number of counterparties to hedge various business risks. If our counterparties fail or refuse to honor their obligations, our economic hedges of the related risks will be ineffective. Such counterparty failures could have a material adverse effect on us. See Note 7, Derivative Instruments, of the Notes to the Consolidated Financial Statements for additional details.

Other Risk Factors

Our financial strength ratings could be downgraded. Various Nationally Recognized Statistical Rating Organizations (NRSROs) publish financial strength ratings as their opinion of an insurance company s creditworthiness and ability to meet policyholder and contractholder obligations. As with other rated companies, our ratings could be downgraded at any time and without any notices by any NRSRO. A downgrade or an announced potential downgrade of our financial strength ratings could have multiple adverse effects on us including:

- reducing new sales of insurance and annuity products or increasing the number or amount of surrenders and withdrawals;
- affecting our relationships with our sales force, independent sales intermediaries and credit counterparties;
- requiring us to offer higher crediting rates or greater policyholder guarantees on our insurance products in order to remain competitive; and
- affecting our ability to obtain reinsurance at reasonable prices.

It is likely that the NRSROs will continue to apply a high level of scrutiny to financial institutions, including us and our competitors, and may adjust the capital, risk management and other requirements employed in the NRSRO models for maintenance of certain ratings levels.

We are controlled by a small number of stockholders. As of December 31, 2016, the Moody Foundation, a charitable trust, beneficially owned approximately 22.7% of our common stock. In addition, Moody National Bank, in its capacity as trustee or agent of various accounts, had the power to vote approximately 49.1% of our common stock as of such date. As a result, subject to applicable legal and regulatory requirements, these stockholders have the ability to exercise a controlling influence over matters submitted for stockholder approval, including the composition of our Board of Directors, and through the Board of Directors any determination with respect to our business direction and policies. This concentration of voting power could deter a change of control or other business combination that might be beneficial or preferable to other stockholders. It may also adversely affect the trading price of our common stock if controlling stockholders sell a significant number of shares or if investors perceive disadvantages in owning stock in a company controlled by a small number of stockholders.

See also Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, for additional details regarding certain risks that we face.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

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ITEM 2. PROPERTIES

We own and occupy our corporate headquarters in Galveston, Texas. We also own and occupy the following properties that are materially important to our operations:

- Three buildings in League City, Texas which are used by our Life, Health, and Corporate and Other business segments.
- Two buildings, one in Springfield, Missouri and the other in Glenmont, New York, which are used by our Property and Casualty segment.

We believe our properties are adequate and suitable for our business as currently conducted and are adequately maintained. The above does not include properties we own only for investment purposes.

ITEM 3. LEGAL PROCEEDINGS

Information required for Item 3 is incorporated by reference to the discussion under the heading Litigation in Note 19, Commitments and Contingencies, of the Notes to the Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Stockholder Information

Our common stock is traded on the NASDAQ Global Select Market under the symbol ANAT. The following table presents the high and low prices for our common stock and the quarterly dividends declared per share.

	Stock Price Per Share		Dividend
	High	Low	Per Share
2016			
Fourth quarter	$ 131.99	$ 111.98	$ 0.82
Third quarter	122.95	108.88	0.82
Second quarter	120.67	107.44	0.82

First quarter	118.50	91.20	0.80
			$ 3.26
2015			
Fourth quarter	$ 108.60	$ 94.01	$ 0.80
Third quarter	109.81	95.29	0.80
Second quarter	107.02	97.29	0.77
First quarter	114.99	92.04	0.77
			$ 3.14

We expect to continue to pay regular cash dividends, although there is no assurance as to future dividends because they depend on future earnings, capital requirements and financial conditions. The payment of dividends is subject to restrictions described in Note 16, Stockholders Equity and Noncontrolling Interests, of the Notes to the Consolidated Financial Statements and as discussed in Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations Capital Resources.

On December 31, 2016, our closing stock price was $124.61 per share, and there were 723 holders of record of our issued and outstanding shares of common stock.

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Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information regarding our common stock that is authorized for issuance under American National s 1999 Stock and Incentive Plan as of December 31, 2016:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans			
Approved by security holders		$ 110.73	2,237,792
Not approved by security holders			
Total		$ 110.73	2,237,792

Performance Graph

The following graph compares the cumulative stockholder return for our common stock for the last five years with the performance of the NASDAQ Stock Market and a NASDAQ Insurance Stock index using NASDAQ OMX Global Indexes. It shows the cumulative changes in value of an initial $100 investment on December 31, 2011, with all dividends reinvested.

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Value at each year-end of a $100 initial investment made on December 31, 2011:

	December 31,					
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
American National	$ 100.00	$ 97.89	$ 167.27	$ 173.11	$ 163.15	$ 200.68
NASDAO Total OMX	100.00	116.43	155.42	174.78	175.62	198.47
NASDAQ Insurance OMX	100.00	118.33	167.61	190.34	188.94	227.55

This performance graph shall not be deemed to be incorporated by reference into our SEC filings or to constitute soliciting material or otherwise be considered filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

ITEM 6. SELECTED FINANCIAL DATA

American National Insurance Company

(and its subsidiaries)

	Years ended December 31,				
(dollar amounts in millions, except per share amounts)	**2016**	**2015**	**2014**	**2013**	**2012**
Total premiums and other revenues	$ 3,228	$ 3,017	$ 3,051	$ 3,119	$ 2,987
Income from continuing operations, net of tax	183	242	247	270	193
Net income	183	242	247	270	193
Net income attributable to American National	181	243	245	266	192
Per common share					
Income from continuing operations, net of tax					
Basic	6.79	9.02	9.21	10.09	7.20
Diluted	6.77	8.99	9.17	10.05	7.16
Net income attributable to American National					
Basic	6.73	9.04	9.15	9.95	7.19
Diluted	6.71	9.02	9.11	9.90	7.15
Cash dividends per share	3.26	3.14	3.08	3.08	3.08

	December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
		(As Revised)	(As Revised)	(As Revised)	(As Revised)
Total assets	$ 24,533	$ 23,766	$ 23,566	$ 23,330	$ 23,105
Total American National stockholders equity	4,652	4,452	4,428	4,188	3,827
Total equity	4,661	4,462	4,440	4,200	3,838

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Certain statements made in this report include forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally are indicated by words such as expects, intends, anticipates, plans, believes, estimates, will or words of simila and include, without limitation, statements regarding the outlook of our business and expected financial performance. These forward-looking statements are subject to changes and uncertainties which are, in many instances, beyond our control and have been made based upon our assumptions, expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with our expectations, or that the effect of future developments on us will be as anticipated. It is not a matter of corporate policy for us to make specific projections relating to future earnings, and we do not endorse any projections regarding future performance made by others. Additionally, we do not publicly update or revise forward-looking statements based on the outcome of various foreseeable or unforeseeable events. Forward-looking statements are not guarantees of future performance and involve various risks and uncertainties. There are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements, including without limitations risks, uncertainties and other factors discussed in Item 1A, Risk Factors and elsewhere in this report.

Management s discussion and analysis (MD&A) of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included in Item 8, Financial Statements and Supplementary Data.

Revision to Previously Reported Amounts

Immaterial Correction of an Error. During the fourth quarter of 2016, the Company revised previously reported amounts to include cash held in a bank custody account representing collateral provided to us by third parties for equity-option derivative transactions. In accordance with Staff Accounting Bulletin (SAB) No. 99, *Materiality,* and SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, management evaluated the materiality of the error from qualitative and quantitative perspectives, and concluded the error was immaterial to the current and prior periods. The correction revised only the consolidated statements of financial position and statements of cash flows . There was no revision to the consolidated statements of operations, comprehensive income or changes in equity. Detail regarding the revision amounts is included in Part II, Item 8, Note 2 Summary of Significant Accounting Policies and Practices, of the Notes to the Consolidated Financial Statements.

Consequently, the Company revised its historical financial statements for fiscal 2015, fiscal 2014 herein, and will revise the quarters within fiscal 2016, when they are published in future filings.

Overview

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

Our business has been and will continue to be influenced by a number of industry-wide, segment or product-specific trends and conditions. In our discussion below, we first outline the broad macro-economic or industry trends (General Trends) that we expect to impact our overall business. Second, we discuss certain segment-specific trends we believe may impact individual segments or specific products within these segments.

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Segments

The insurance segments do not directly own assets. Rather, assets are allocated to support the liabilities and capital allocated to each segment. The mix of assets allocated to each of the insurance segments is intended to support the characteristics of the insurance liabilities within each segment including expected cash flows and pricing assumptions, and is intended to be sufficient to support each segment s business activities. We have utilized this methodology consistently over all periods presented.

The Corporate and Other business segment acts as the owner of all of the invested assets of the Company. The investment income from the invested assets is allocated to the insurance segments in accordance with the assets allocated to each insurance segment. Earnings of the Corporate and Other business segment are derived from income related to invested assets not allocated to the insurance segments and from our non-insurance businesses. All realized investment gains and losses, which includes other-than-temporary impairments (OTTI), are recorded in this segment.

General Trends

Our business, financial condition and results of operations are materially affected by economic and financial market conditions. The U.S. and global economies, as well as the capital markets, continue to show mixed signals, and uncertainties continue to be significant factors in the markets in which we operate. Factors such as consumer spending, business investment, the volatility of the capital markets, the level of interest rates, unemployment, the level of participation in the workforce and the risk of inflation or deflation will affect the business and economic environment and, in turn, impact the demand for the type of financial and insurance products we offer. Adverse changes in the economy could have a material adverse effect on us. However, we believe those risks are somewhat mitigated by our financial strength, active enterprise risk management and disciplined underwriting for our products. Our diverse product mix across insurance segments is a strength that we expect will help us adapt to the volatile economic environment and give us the ability to serve the changing needs of our customers. Additionally, through our long-term business approach, we believe we remain financially strong, and we are committed to providing a steady and reliable source of financial protection for policyholders.

Interest Rates: The low-interest rate environment is a challenge for life insurers as the spreads on deposit-type contracts remain narrow, especially as interest rates have approached minimum crediting rates. Low market interest rates reduce the spreads between the amounts we credit to fixed annuity and individual life policyholders and the amounts we earn on the investments that support these obligations. Our ALM Committee actively manages the profitability of our in-force contracts. In previous years, we reduced the guaranteed minimum crediting rates on new fixed annuity contracts and new business, which has afforded us the flexibility to respond to the unusually low-interest rate environment. In previous years, we also reduced crediting rates on in-force contracts, where permitted to do so. These actions help mitigate the adverse impact of low interest rates on the profitability of these products, although sales volume may be negatively impacted as a result. We also maintain assets with various maturities to support product liabilities and ensure liquidity. A gradual increase in longer-term interest rates relative to short-term rates generally will have a favorable effect on the profitability of our products. Rapidly rising interest rates could result in reduced persistency of our spread-based products, if contract holders shift assets into higher yielding investments. We believe our ability to react quickly to the changing marketplace will help us manage this risk.

The interest rate environment affects estimated future profit projections, which could impact the amortization of our DAC assets and the estimates of policyholder liabilities. Significantly lower future estimated profits may cause us to accelerate the amortization of DAC or require us to establish additional policyholder liabilities, thereby reducing earnings. We periodically review assumptions with respect to future earnings to make sure that they remain appropriate considering the current interest rate environment.

Low interest rates are also challenging for property and casualty insurers. Investment income is an important element in earning an acceptable return on capital. Lower interest rates resulting in lower investment income require us to achieve better underwriting results. We have adjusted policy prices to help mitigate the adverse impact of low interest rates on our property and casualty business.

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Changing Regulatory Environment: The insurance industry is primarily regulated at the state level, although some life and annuity products and services are also subject to U.S. federal regulation. We are regularly subjected to additional or changing regulation that requires us to update systems, change product structure, increase the amount of reporting or adopt changes to distribution. These changes may increase the capital requirements for us and the industry, increase operating costs, change our operating practices and change our ability to provide products with pricing attractive to the marketplace.

Importance of Operating Efficiencies: The volatile economic environment and costs associated with greater regulation create a further need for operating efficiencies. We manage our cost base while maintaining our commitment to provide superior customer service to policyholders and agents. Investments in technology are coordinated through a disciplined project management process. We anticipate continually improving our use of technology to enhance our policyholders and agents experience and increase efficiency of our employees.

Increased Role of Advanced Technology: The use of mobile technology has changed the way consumers want to conduct their business, including real-time access to information. Many customers expect to complete transactions in a digital format instead of traditional methods that require a phone call or submission of paper forms. Social media and other customer-facing technologies also reshape the way companies communicate and collaborate with key stakeholders, and new tools exist to better collect and analyze information for potential business opportunities and better manage risks. For example, American National has mobile-enabled all of its Internet-based access and leverages social media channels to reach out to potential customers to promote awareness of the company, including the products and services offered. We expect that technology will continue to evolve, offering new and more effective ways to reach and service our customers and shareholders. We evaluate available and evolving technologies and incorporate those that we believe offer appropriate benefits to the company and its customers.

Increased Challenges of Talent Attraction and Retention: Attracting individuals with the right skills and retaining employees for the longer term remains a business challenge. These challenges may become more difficult as the working population ages, causing loss of valuable work knowledge and experience through attrition. The cost of higher education may result in fewer people attending college or a university, thus leaving a potential workforce that is less prepared for the higher thinking challenges of the new workplace. Competitors who develop stronger appeal to applicants who seek innovative and paradigm shifting companies will have an edge. We are increasing our talent development efforts so that we can promote from within. In addition, we are expanding the use of technology to broaden our candidate base when recruiting and to deliver targeted training to augment the current skill level of our employees.

Life and Annuity

Life insurance and annuity are mainstay segments, as they have been during our long history. We believe that the combination of predictable and decreasing mortality rates, positive cash flow generation for many years after policy issue and favorable persistency characteristics suggest a viable and profitable future for these lines of business.

Effective management of invested assets and associated liabilities using crediting rates and, where applicable, financial hedging instruments (which we use as economic hedges of equity-indexed life and annuity products), is important to the success of our life and annuity segments. Asset disintermediation , the risk of large outflows of cash at times when it is disadvantageous to us to dispose of invested assets, is a risk associated with these segments.

Demographics: We believe a key driver shaping the actions of the life insurance industry is the rising income protection, wealth accumulation and insurance needs of retiring Baby Boomers (those born between 1946 and 1964). As a result of increasing longevity and uncertainty regarding the Social Security System and an ongoing transition from defined benefit pension plans to 401(k) type retirement plans, retirees will need to accumulate sufficient savings to support retirement income requirements.

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We believe we are well positioned to address the Baby Boomers increasing need for savings tools and income protection. We believe that our overall financial strength and broad distribution channels position us to respond with a variety of products for individuals approaching retirement age, who seek information to plan for and manage their retirement needs. We believe our products that offer guaranteed income flows for life, including single premium immediate annuities, are well positioned to serve this market.

Competitive Pressures: In recent years, the competitive landscape of the U.S. life insurance industry has shifted. Established insurers are competing against each other and also against new market entrants that are developing products to attract the interest of the growing number of retirees. Competition exists in terms of retaining and acquiring consumers business and also in terms of access to producers and distributors. Consolidation among distributors coupled with the aging sales force remains a challenge among insurers. In addition, the increased technological sophistication of consumers necessitates that insurers and distributors invest significant resources in technology to adapt to consumer expectations. We believe we possess sufficient scale, financial strength, resources and flexibility to compete effectively.

The annuity market is also highly competitive. In addition to aggressive interest crediting rates and new product features on annuities, there is competition from other financial service firms. Insurers continue to evaluate their distribution channels and the way they deliver products to consumers.

We believe we will continue to be competitive in the life and annuity markets through our broad line of products, diverse distribution channels, and consistent high level of customer service. We modify our products to meet customer needs and to expand our reach where we believe we can obtain profitable growth.

Health

Most of the major provisions of the Patient Protection and Affordable Care Act, and a reconciliation measure, the Health Care and Education Reconciliation Act of 2010 (collectively, the Healthcare Acts), phased in effective January 1, 2014. The Healthcare Acts mandate broad changes in the delivery of health care benefits that have impacted our current business model including our relationships with current and future customers, producers, and health care providers, as well as our products, services and processes. As a result, the Healthcare Acts generated new opportunities in the limited benefit and supplemental product markets. In recent years, we built a portfolio of such products to be sold in the worksite market as well as to individuals. We had some success with the individual products in 2014 and 2015 although these products were restricted somewhat in 2015 and 2016 due to regulatory changes. We are now expanding our presence in the worksite market to generate new opportunities in the broker market, as well as designing and implementing a captive sales force. With the recent changes in the Presidency and Congress, the future of the Healthcare Acts is questionable. We continue to monitor possible changes and maintain a wait and see attitude, allowing us to be opportunistic to new markets.

We expect our Managing General Underwriter (MGU) business to remain stable during 2017. We generally retain only 10% of the MGU premium and risk. The majority of the revenue generated from this business is fee income included in Other income of the Health segment s operating results.

Property and Casualty

We remain committed to offering our personal and commercial property and casualty lines of business primarily through exclusive independent multiple line agents. We favor a balanced, focused and collaborative approach to both growth and profitability through the development of successful agencies. In 2013, we launched a revised Agent Career Program to enhance recruiting, selection, on-boarding and training of new agent candidates. In 2017, a New Agent Development Program for newly appointed multiple line agents was introduced to support multiple line distribution growth goals. The new program is designed to enhance the development and retention of new multiple line agents across the country.

Our primary focus is to acquire and retain profitable business. To accomplish this objective, we use sophisticated pricing models and risk segmentation, along with a focused distribution force. We believe this approach allows us to make product enhancements and offer programs that are tailored to our target markets while charging an appropriate premium for the risk.

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Demand for property and casualty credit-related insurance products continues to increase. Credit markets have improved in recent years, which is increasing sales in the auto dealer market and, in turn, demand for our GAP products. We continue to update credit-related insurance product offerings and pricing to meet changing market needs, as well as adding new agents to expand market share in the credit-related insurance market. We are reviewing and implementing procedures to enhance customer service while, at the same time, looking for efficiencies to reduce administrative costs.

Competition: The property and casualty insurance industry remains highly competitive. Despite the competitive environment, we expect to identify profitable opportunities through our strong distribution channels, expanding geographic coverage, marketing efforts, new product development and pricing sophistication.

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires estimates and assumptions that often involve a significant degree of judgment. These estimates and judgments include expectations of current and future mortality, morbidity, persistency, claims and claim adjustment expenses, recoverability of receivables, investment returns and interest rates which extend well into the future. In developing these estimates, there is inherent uncertainty and material changes to facts and circumstances may develop. Although variability is inherent in these estimates, we believe the amounts as reported are appropriate, based upon the facts available upon compilation of the consolidated financial statements.

On an ongoing basis, management reviews the estimates and assumptions used in preparing the financial statements. If current facts and circumstances warrant modifications in estimates and assumptions, our financial position and results of operations as reported in the consolidated financial statements could change significantly.

A description of these critical accounting estimates is presented below. Also, see the Notes to the Consolidated Financial Statements for additional information.

Reserves

Life and Annuity Reserves

Life Reserving Principal assumptions used in the determination of the reserves for future policy benefits are mortality, policy lapse rates, investment return, inflation, expenses and other contingent events as appropriate to the respective product type. Reserves for incurred but not reported (IBNR) claims on life policies are calculated using historical claims information. Reserves for interest-sensitive and variable universal life insurance policies are equal to the current account value calculated for the policyholder. Some of our universal life policies contain secondary guarantees, for which additional reserves are recorded based on the term of the policy.

Annuity Reserving Reserves for payout annuities with more than insignificant amounts of mortality risk are calculated in accordance with the applicable accounting guidance for limited pay insurance contracts. Benefit and maintenance expense reserves are calculated by using assumptions reflecting our expectations of future costs, including an appropriate margin for adverse deviation. Payout annuity reserves are calculated using standard industry mortality tables specified for statutory reporting. If the resulting reserve would otherwise cause profits to be recognized at the issue date, additional reserves are recorded. The resulting recognition of profits would be gradual over the expected life of the contract.

Reserves for deferred annuities are established equivalent to the account value held on behalf of the policyholder. Additional reserves for guaranteed minimum death benefits are determined as needed in accordance with the applicable accounting guidance. The profit recognition on deferred annuity contracts is gradual over the expected life of the contract. No immediate profit is recognized on the sale of the contract.

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Key Assumptions The following assumptions reflect our best estimates and may impact our life and annuity reserves:

- Future lapse rates will remain reasonably consistent with our current expectations;
- Mortality rates will remain reasonably consistent within standard industry mortality table ranges; and
- Future interest spreads will remain reasonably consistent with our current expectations.

Recoverability At least annually, we test the adequacy of the net benefit reserves (policy benefit reserves less DAC) recorded for life insurance and annuity products. To perform the tests, we use our current best-estimate assumptions as to policyholder mortality, persistency, maintenance expenses and invested asset returns.

For interest-sensitive business, best-estimate assumptions are updated to reflect observed changes based on experience studies and current economic conditions. We reflect the effect of such assumption changes in DAC and reserve balances accordingly. Due to the long-term nature of many of the liabilities, small changes in certain assumptions may cause large changes in profitability. In particular, changes in estimates of the future invested asset return have a large effect on the degree of reserve adequacy and DAC recoverability.

For traditional business, a lock-in principle applies, whereby the assumptions used to calculate the benefit reserves and DAC are set when a policy is issued and do not change with changes in actual experience. These include margins for adverse deviation in the event that actual experience differs from the original assumptions.

Health Reserves

Health reserves are established using the following methods:

Completion Factor Approach This method assumes that the historical claim patterns will be an accurate representation of unpaid claim liabilities. An estimate of the unpaid claims is calculated by subtracting period-to-date paid claims from an estimate of the ultimate complete payment for all incurred claims in the period. Completion factors are calculated which complete the current period-to-date payment totals for each incurred month to estimate the ultimate expected payout.

Tabular Claims Reserves This method is used to calculate the reserves for disability income blocks of business. These reserves rely on published valuation continuance tables created using industry experience regarding assumptions of continued morbidity and subsequent recovery. Reserves are calculated by applying these continuance tables, along with appropriate company experience adjustments, to the stream of contractual benefit payments. These expected benefit payments are discounted at the required interest rate.

Future Policy Benefits Reserves are equal to the aggregate of the present value of expected future benefit payments, less the present value of expected future premiums. Morbidity and termination assumptions are based on our experience or published valuation tables when available and appropriate.

Premium Deficiency Reserves Deficiency reserves are established when the expected future claim payments and expenses for a classification of policies are in excess of the expected premiums for these policies. The determination of a deficiency reserve takes into consideration the likelihood of premium rate increases, the timing of these increases, and the expected benefit utilization patterns. We have established premium deficiency reserves for portions of the major medical business and the long-term care business that are in run-off. The assumptions and methods used to determine the deficiency reserves are reviewed periodically for reasonableness, and the reserve amount is monitored against emerging losses.

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Property and Casualty Reserves

Reserves for Claims and Claim Adjustment Expense (CAE) Property and casualty reserves are established to provide for the estimated cost of settling and paying both reported (case) as well as incurred but not reported (IBNR) claims. The two major categories of CAE are defense and cost containment expense, and adjusting and other expense. The details of property and casualty reserves are shown below (in thousands):

	December 31, 2016			December 31, 2015		
	Gross	Ceded	Net	Gross	Ceded	Net
Case	$ 501,222	$ 59,442	$ 441,780	$ 487,154	$ 30,439	$ 456,715
IBNR	402,961	20,052	382,909	383,429	10,751	372,678
Total	**$ 904,183**	**$ 79,494**	**$ 824,689**	**$ 870,583**	**$ 41,190**	**$ 829,393**

Case Reserves Reserves for reported losses are determined on either a judgment or a formula basis, depending on the timing and type of the loss. The formula reserve is a fixed amount for each claim of a given type based on historical paid loss data for similar claims with provisions for trend changes, such as those caused by inflation. Judgment reserve amounts generally replace initial formula reserves and are set for each loss based on facts and circumstances of each case and the expectation of damages. We regularly monitor the adequacy of reserves on a case-by-case basis and change the amount of such reserves as necessary.

IBNR IBNR reserves are estimated based on many variables, including historical statistical information, inflation, legal developments, economic conditions, and general trends in claim severity, frequency and other factors that could affect the adequacy of claims reserves. Loss and premium data is aggregated by exposure class and by accident year. IBNR reserves are estimated by projecting ultimate losses on each class of business and subtracting paid losses and case reserves. Our overall reserve practice provides for ongoing claims evaluation and adjustment based on the development of related data and other relevant information pertaining to claims. Adjustments in aggregate reserves, if any, are included in the results of operations of the period during which such adjustments are made.

We believe we conservatively reflect the potential uncertainty generated by volatility in our loss development profiles when selecting loss development factor patterns for each line of business. See Note 12, Liability for Unpaid Claims and Claim Adjustment Expenses, of the Notes to the Consolidated Financial Statements for additional information.

The evaluation process to determine reserves involves the collaboration of underwriting, claims and actuarial departments. The process also includes consultation with independent actuarial firms as part of our process of gaining reassurance that claims and CAE reserves estimate sufficiently, all obligations arising from all losses incurred as of year-end. The independent actuarial firm completes the Statements of Actuarial Opinion required by individual state insurance regulations at each year-end, opining that the recorded statutory claims and CAE reserves are reasonable.

Premium Deficiency Reserve Deficiency reserves are recorded when the expected claims payments and policy maintenance costs for a product line exceed the expected premiums for that product line. The estimation of a deficiency reserve considers the current profitability of a product line using anticipated claims, CAE, and policy maintenance costs. The assumptions and methods used to determine the need for deficiency reserves are reviewed periodically for reasonableness. There were no reserves of this type at December 31, 2016 and December 31, 2015, respectively.

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Property and Casualty Reserving Methodology The following methods are utilized:

- Initial Expected Loss Ratio This method calculates an estimate of ultimate losses by applying an estimated loss ratio to actual earned premium for each calendar/accident year. This method is appropriate for classes of business where the actual paid or reported loss experience is not yet mature enough to influence initial expectations of the ultimate loss ratios.

- Bornhuetter-Ferguson This method uses as a starting point an assumed initial expected loss ratio method and blends in the loss ratio implied by the claims experience to date by using loss development patterns based on our historical experience. This method is generally appropriate where there are few reported claims and a relatively less stable pattern of reported losses.

- Loss or Expense Development (Chain Ladder) This method uses actual loss or defense and cost containment expense data and the historical development profiles on older accident periods to project more recent, less developed periods to their ultimate total. This method is appropriate when there is a relatively stable pattern of loss and expense emergence and a relatively large number of reported claims.

- Ratio of Paid Defense and Cost Containment Expense to Paid Loss Development This method uses the ratio of paid defense and cost containment expense to paid loss data and the historical development profiles on older accident periods to project more recent, less developed periods to their ultimate total. In this method, an ultimate ratio of paid defense and cost containment expense to paid loss is selected for each accident period. The selected paid defense and cost containment expense to paid loss ratio is then applied to the selected ultimate loss for each accident period to estimate the ultimate defense and cost containment expense. Paid defense and cost containment expense is then subtracted from the ultimate defense and cost containment expense to calculate the unpaid defense and cost containment expense for that accident period.

- Calendar Year Paid Adjusting and Other Expense to Paid Loss This method uses a selected prior calendar years paid expense to paid loss ratio to project ultimate loss adjustment expenses for adjusting and other expense. A percentage of the selected ratio is applied to the case reserves (depending on the line of insurance) and 100% to the indicated IBNR reserves. These ratios assume that a percentage of the expense is incurred when a claim is opened and the remaining percentage is paid throughout the claim s life.

The basis of our selected single point best estimate on a particular line of business is often a blended result from two or more methods (e.g. weighted averages). Our estimate is highly dependent on actuarial and management judgment as to which method(s) is most appropriate for a particular accident year and class of business. Our methodology changes over time, as new information emerges regarding underlying loss activity and other factors.

Key Assumptions The following assumptions may impact our property and casualty reserves:

- Stability of future inflation rates and consistency with historical inflation norms;
- The expected loss development patterns;
- Consistent claims handling, reserving and payment processes;
- No unusual growth patterns or unexpected changes in the mix of business; and
- No significant prospective changes in laws that would significantly affect future payouts.

The loss ratio selections and development profiles are developed primarily using our historical claims and loss experience. These development patterns reflect prior inflation rates, and could be impacted by future changes in inflation rates, particularly those relating to medical care costs, automobile repair parts and building or home material costs. These assumptions have not been modified from the preceding periods and are consistent with historical loss reserve development patterns.

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For non-credit lines of business, future inflation rates could vary from our assumption of relatively stable rates. Unexpected changes in future inflation rates could impact our financial position and liquidity, and we measure the sensitivity of our reserve levels to unexpected changes in inflation. The impacts of future inflation for a 1.0% decrease and 3.0% increase over the implied inflation rate in the December 31, 2016 gross loss reserve balance are as follows (amounts in thousands):

Cumulative Increase (Decrease) in Reserves	1.0% Decrease	3.0% Increase
Personal		
Automobile	$ (3,995)	$ 12,533
Homeowner	(859)	3,290
Commercial		
Agricultural Business	(8,341)	23,299
Automobile	(2,191)	6,659

The analysis of our credit insurance line of business quantifies the estimated impact on gross loss reserves of a reasonably likely scenario of varying the ratio applied to the earned premium to determine the IBNR reserves at December 31, 2016. IBNR reserving methodology for this line of business focuses primarily on the use of a ratio applied to the unearned premium for each credit insurance product. The selected ratios are based on historical loss and claim data. In our analysis, we varied this ratio by +/- 5% across all credit insurance products combined. The results of our analysis show an increase or decrease in gross reserves across all accident years combined of approximately $8.3 million.

It is not appropriate to aggregate the impacts shown in our sensitivity analysis, as our lines of business are not directly correlated. The variations are not meant to be a best-case or worst-case scenario, and it is possible that future variations will be more or less than the amounts in the sensitivity analysis. While these are possible scenarios based on the information available to us at this time, we do not believe the reader should consider our sensitivity analysis an actual reserve range.

Management believes our reserves at December 31, 2016 are adequate. New information, regulation, events or circumstances unknown at the original valuation date, however, may result in future development resulting in ultimate losses being significantly greater or less than the recorded reserves at December 31, 2016.

Deferred Policy Acquisition Costs

We had a DAC asset of approximately $1.29 billion and $1.32 billion at December 31, 2016 and 2015, respectively. See Note 10, Deferred Policy Acquisition Costs, of the Notes to the Consolidated Financial Statements for additional details.

We believe the estimates used in our DAC calculations provide an example of how variations in assumptions and estimates would affect our business. The following table displays the sensitivity of reasonably likely changes in assumptions in the DAC amortization for our long-tail business at December 31, 2016 (in thousands):

	Increase (Decrease) in DAC
Increase in future investment margins of 25 basis points	$ 37,360
Decrease in future investment margins of 25 basis points	(40,178)
Decrease in future life mortality by 1%	1,276
Increase in future life mortality by 1%	(1,255)

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Reinsurance

We manage our insurance underwriting risk exposures by purchasing reinsurance. We manage counterparty risk by entering into agreements with reinsurers we consider creditworthy, generally measured by the individual entity or entities financial strength rating. However, we do not require a specified minimum rating. We monitor the concentrations of the reinsurers and reduce the participation percentage of lower-rated and unrated companies when appropriate in our judgment. In the third quarter of 2015, we recognized a loss related to a reinsurer being unable to fulfill its obligations. While we believe we currently have no significant credit risk related to reinsurance counterparties, we continue to monitor their financial condition.

Some of our reinsurance contracts contain clauses that allow us to terminate the participation with reinsurers whose ratings are downgraded. Information used in our risk assessment is comprised of industry ratings, recent news and reports, and a limited review of financial statements. We also may require reinsurers not licensed in our state of domicile or with whom we have limited experience, to provide letters of credit, trust agreements, or cash advances to fund their share of reserves.

Other-Than-Temporary Impairment

A decline in the fair value of investment securities below their cost basis is evaluated on an ongoing basis to determine if the decline is other-than-temporary. A number of assumptions and estimates inherent in evaluating impairments are used to determine if they are other-than-temporary, which include 1) our ability and intent to hold the investment securities for a period of time sufficient to allow for an anticipated recovery in value; 2) the expected recoverability of principal and interest; 3) the length of time and extent to which the fair value has been less than cost basis; 4) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant industry conditions and trends and implications of rating agency actions and offering prices; and 5) the specific reasons that a security is in a significant unrealized loss position, including market conditions, which could affect liquidity.

Valuation of Financial Instruments

The fair value of available-for-sale securities (equity and fixed maturity securities) is determined by management using one of the three primary sources of information: the quoted prices in active markets; third-party pricing services; or independent broker quotations. Estimated fair value of securities based on quoted prices in active markets is readily and regularly available; therefore, valuation of these securities generally does not involve management judgment. For securities without quoted prices, fair value measurement is determined using third-party pricing services proprietary pricing applications. Typical inputs used by the models are relevant market information, benchmark curves, benchmark pricing of like securities, sector groupings and matrix pricing. Any securities remaining unpriced after utilizing the first two pricing methods are submitted to independent brokers for prices. We have analyzed the third-party pricing services and independent brokers valuation methodologies and related inputs, and have evaluated the various types of securities in our investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs. Management completes certain tests throughout the year and at year-end to determine that prices provided by our pricing services are reasonable.

We utilize over-the-counter equity options to hedge our exposure to equity-indexed universal life and equity-indexed deferred annuity benefits, and the fair values for these options are sourced from broker quotations. Accounting guidance requires a fair value calculation as part of equity-indexed policy reserves. This is called the value of embedded derivative (or VED) and the other part of the indexed policy reserve is called the host reserve. The embedded derivative represents future benefit cash flows in excess of minimum guarantee cash flows. The host covers the minimum guarantee cash flows. Both the VED and the host reserve are calculated by a vendor-sourced reserve valuation system. The VED calculation model incorporates assumptions related to current option pricing (such as implied volatility and LIBOR/swap curve), future policyholder behavior (such as surrenders and withdrawals), and factors affecting the value of future indexed interest periods (such as option budgets).

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Pension and Postretirement Benefit Plans

The Company has frozen each of its defined benefit pension plans. Our pension and postretirement benefit obligations and related costs covering our employees are estimated using actuarial concepts in accordance with the relevant accounting guidance. The discount rate and the expected return on plan assets are important elements of expense and/or liability measurements. Each year, these key assumptions are reevaluated to determine whether they reflect the best estimates for the current period. Changes in the methodology used to determine the best estimates are made when facts or circumstances change. Other assumptions involve demographic factors such as retirement age, mortality and turnover. The expected long-term rate of return on plan assets is determined using the building-block method which is described further in Note 18, Pension and Postretirement Benefits, of the Consolidated Financial Statements. Early in 2017, the Company commenced a one time window offering to terminated, vested participants of our qualified defined benefit pension plans. The offer allows participants to take a lump sum or annuity payout which will be funded from pension plan assets.

Litigation Contingencies

Based on information currently available, we believe that amounts ultimately paid, if any, arising from existing and currently potential litigation would not have a material effect on our results of operations and financial condition. 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, continues 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 we anticipate, the resulting liability could have a material impact on the consolidated financial statements.

Federal Income Taxes

Our effective tax rate is based on income, non-taxable and non-deductible items, statutory tax rates and tax credits. Also, management s best estimate of future events and their impact is included in our accounting estimates. Certain changes or future events, such as changes in tax legislation, and completion of tax audits could have an impact on our estimates and effective tax rate. Audit periods remain open for review until the statute of limitations has passed.

GAAP requires us to evaluate the recoverability of our deferred tax assets and establish a valuation allowance, if necessary, to reduce our deferred tax asset to an amount that is more-likely-than-not to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. Although realization is not assured, management believes it is more-likely-than-not that the deferred tax assets will be realized and that no valuation allowance is necessary at his time.

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Consolidated Results of Operations

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

	Years ended December 31,			Change over prior year	
	2016	**2015**	**2014**	**2016**	**2015**
Premiums and other revenues					
Premiums	$ 1,996,648	$ 1,838,519	$ 1,815,971	$ 158,129	$ 22,548
Other policy revenues	306,880	250,265	224,254	56,615	26,011
Net investment income	860,235	834,831	932,858	25,404	(98,027)
Realized investments gains (losses), net	28,940	59,443	41,422	(30,503)	18,021
Other income	35,248	34,397	36,085	851	(1,688)
Total premiums and other revenues	**3,227,951**	**3,017,455**	**3,050,590**	**210,496**	**(33,135)**
Benefits, losses and expenses					
Policyholder benefits	711,384	617,006	542,015	94,378	74,991
Claims incurred	1,015,047	923,367	933,768	91,680	(10,401)
Interest credited to policyholders account balances	331,770	293,464	353,492	38,306	(60,028)
Commissions for acquiring and servicing policies	465,962	425,338	397,126	40,624	28,212
Other operating expenses	503,459	501,377	485,865	2,082	15,512
Change in deferred policy acquisition costs [1]	1,152	(11,785)	9,578	12,937	(21,363)
Total benefits and expenses	**3,028,774**	**2,748,767**	**2,721,844**	**280,007**	**26,923**
Income before other items and federal income taxes	**$ 199,177**	**$ 268,688**	**$ 328,746**	**$ (69,511)**	**$ (60,058)**

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

Consolidated earnings decreased during 2016 compared to 2015 primarily due to a decrease in property and casualty earnings and lower realized capital gains. Property and casualty earnings decreased as continued premium growth was outpaced by the increase in personal auto claims and as catastrophe losses reverted to what we believe is a normal level. The decrease in realized capital gains was attributable to a decrease in sales of certain real estate holdings compared to 2015. Consolidated earnings decreased during 2015 compared to 2014 primarily due to a decrease in margins earned on investment income.

Life

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

	Years ended December 31,			Change over prior year	
	2016	**2015**	**2014**	**2016**	**2015**
Premiums and other revenues					
Premiums	$ 318,953	$ 305,350	$ 307,771	$ 13,603	$ (2,421)
Other policy revenues	295,289	237,797	209,192	57,492	28,605
Net investment income	227,923	226,076	232,389	1,847	(6,313)
Other income	2,067	1,709	1,427	358	282
Total premiums and other revenues	**844,232**	**770,932**	**750,779**	**73,300**	**20,153**
Benefits, losses and expenses					
Policyholder benefits	416,467	386,785	351,271	29,682	35,514
Interest credited to policyholders account balances	63,565	59,148	68,796	4,417	(9,648)
Commissions for acquiring and servicing policies	132,428	121,482	124,447	10,946	(2,965)
Other operating expenses	199,769	201,112	194,927	(1,343)	6,185
Change in deferred policy acquisition costs [(1)]	3,887	(31,048)	(32,014)	34,935	966
Total benefits and expenses	**816,116**	**737,479**	**707,427**	**78,637**	**30,052**
Income before other items and federal income taxes	**$ 28,116**	**$ 33,453**	**$ 43,352**	**$ (5,337)**	**$ (9,899)**

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

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Earnings decreased during 2016 compared to 2015 primarily due to a change in estimate which resulted in a net decrease in earnings of $3.7 million. Additional non-recurring expense was incurred in 2016 relating to certain policies that lapsed with insufficient value to cover their outstanding policy loan balance. Earnings decreased during 2015 compared to 2014 primarily due to the increase in policyholders benefits partially offset by an increase in other policy revenues.

Premiums and other revenues

Premiums increased during 2016 compared to 2015 primarily due to continued growth in renewal premium on our term products. Premiums were relatively flat during 2015 compared to 2014.

Other policy revenues include mortality charges, earned policy service fees and surrender charges on interest-sensitive life insurance policies. The increase in other policy revenues during 2016 compared to 2015 is due to an increase in mortality charges and the above-mentioned change in estimate. The increase in other policy revenues during 2015 compared to 2014 is attributable to an increase in mortality charges and an assumption change for universal life products.

Life insurance sales

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

	Years ended December 31,			Change over prior year	
	2016	**2015**	**2014**	**2016**	**2015**
Traditional Life	$ 52,596	$ 55,280	$ 55,391	$ (2,684)	$ (111)
Universal Life	19,519	14,355	15,276	5,164	(921)
Indexed UL	24,606	22,888	22,458	1,718	430
Variable UL	24	25	39	(1)	(14)
Total Recurring	**$ 96,745**	**$ 92,548**	**$ 93,164**	**$ 4,197**	**$ (616)**
Single and excess	$ 1,932	$ 2,163	$ 2,173	$ (231)	$ (10)
Credit life	4,372	3,984	3,940	388	44

Life insurance sales are based on the total yearly premium that insurance companies would expect to receive if all recurring premium policies would remain in force, plus 10% of single and excess premiums and 15% of credit life premium. Life insurance sales measure activity associated with gaining new insurance business in the current period, and includes deposits received related to interest sensitive life and universal life-type products. Whereas GAAP premium revenues are associated with policies sold in current and prior periods, and deposits received related to interest sensitive life and universal life-type products are recorded in a policyholder account which is reflected as a liability. Therefore, a reconciliation of premium revenues and insurance sales is not meaningful.

Life insurance sales increased during 2016 compared to 2015 primarily driven by an increase in universal life policy sales. Life insurance sales were relatively flat during 2015 compared to 2014.

Benefits, losses and expenses

Policyholder benefits increased during 2016 compared to 2015 primarily due to the above-mentioned change in estimate. Policyholder benefits increased during 2015 compared to 2014 primarily due to an increase in claims although claims were within our product pricing measures.

Commissions increased during 2016 compared to 2015 primarily due to an increase in universal life policy sales. Commissions were relatively flat during 2015 compared to 2014.

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

	December 31,			Change over prior year	
	2016	2015	2014	2016	2015
Acquisition capitalized	$ 108,825	$ 108,615	$ 110,195	$ 210	$ (1,580)
Amortization	(112,712)	(77,567)	(78,181)	(35,145)	614
Change in DAC	**$ (3,887)**	**$ 31,048**	**$ 32,014**	**$ (34,935)**	**$ (966)**

The decrease in DAC is primarily due to the change in estimate mentioned above. DAC was relatively flat during 2015 compared to 2014.

Policy in-force information

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

	December 31,			Change over prior year	
	2016	2015	2014	2016	2015
Life insurance in-force					
Traditional life	$ 67,649,433	$ 63,336,601	$ 59,409,750	$ 4,312,832	$ 3,926,851
Interest-sensitive life	27,971,646	26,858,051	26,166,314	1,113,595	691,737
Total life insurance in-force	**$ 95,621,079**	**$ 90,194,652**	**$ 85,576,064**	**$ 5,426,427**	**$ 4,618,588**

The following table summarizes changes in the Life segment s number of policies in-force:

	December 31,			Change over prior year	
	2016	2015	2014	2016	2015
Number of policies in-force					
Traditional life	$ 1,841,359	$ 1,890,600	$ 1,949,119	$ (49,241)	$ (58,519)
Interest-sensitive life	222,845	212,851	205,805	9,994	7,046
Total number of policies	**$ 2,064,204**	**$ 2,103,451**	**$ 2,154,924**	**$ (39,247)**	**$ (51,473)**

Total life insurance in-force increased during 2016 compared to 2015 and 2015 compared to 2014, while the total number of policies decreased for the same periods, reflecting the transition to fewer but higher face amount policies.

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Reinsurance

The table below summarizes reinsurance reserves and premium amounts assumed and ceded (in thousands):

	Reserves			Premiums		
	Years ended December 31,			Years ended December 31,		
	2016	2015	2014	2016	2015	2014
Reinsurance assumed	$ 1,716	$ 48	$ 117	$ 2,188	$ (20)	$ 137
Reinsurance ceded	(219,375)	(219,272)	(209,853)	(104,128)	(101,636)	(96,577)
Total	**$ (217,659)**	**$ (219,224)**	**$ (209,736)**	**$ (101,940)**	**$ (101,656)**	**$ (96,440)**

We use reinsurance to mitigate risk to the Life segment. During 2016, our retention limits were $1.5 million for issue ages 65 and under, and $700,000 million for issue ages 66 and older for traditional and universal life. Accidental death and premium waiver benefits are mostly retained on new business. Increases in reserves and premium amounts ceded primarily reflect increased use of reinsurance in conjunction with treaties related to universal life products.

Consistent with our corporate risk management strategy, we periodically adjust our reinsurance program and retention limits as market conditions warrant. While, in the past, we have reinsured up to 90% of new business, we are currently reinsuring newly developed permanent products on a modified excess retention basis, in which we reinsure mortality risk on a yearly renewable term basis, ceding a 75% quota share of policies with a face value of at least $500,000 up to our retention and then 100% in excess of retention. Current traditionally marketed term products are reinsured on a modified excess retention basis, in which we reinsure mortality risk on a yearly renewable term basis, ceding 50% quota share of face amounts in excess of $250,000 up to our retention and then 100% in excess of retention.

Reinsurance is used in the credit life business primarily to provide producers of credit-related insurance products the opportunity to participate in the underwriting risk through producer-owned captive reinsurance companies often domiciled outside of the United States. A majority of the treaties entered into by our Credit Insurance Division are written on a 100% coinsurance basis with benefit limits of $125,000 on credit life. We have entered into funds withheld reinsurance treaties, which provide for cessions to the reinsurer on a written basis.

For 2016, the companies to whom we have ceded reinsurance for the Life segment are shown below (in thousands, except percentages):

Reinsurer	A.M. Best Rating[(1)]	Ceded Premium	Percentage of Gross Premium
Swiss Re Life & Health of America Inc.	A+	$ 26,402	6.2%
SCOR Global Life Reinsurance Company of Delaware	A	18,041	4.3
Munich American Reassurance Company	A+	15,155	3.6
Reinsurance Group Of America	A+	6,094	1.4
		38,436	9.1

Other Reinsurers with no single company greater than 5% of the total ceded premium		
Total life reinsurance ceded	**$ 104,128**	**24.6%**

(1) A.M. Best rating as of the most current information available January 05, 2017.

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Annuity

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

	Years ended December 31,			Change over prior year	
	2016	2015	2014	2016	2015
Premiums and other revenues					
Premiums	$ 248,714	$ 183,125	$ 190,357	$ 65,589	$ (7,232)
Other policy revenues	11,591	12,468	15,062	(877)	(2,594)
Net investment income	500,726	459,458	545,887	41,268	(86,429)
Other income	3,161	3,464	(1)	(303)	3,465
Total premiums and other revenues	**764,192**	**658,515**	**751,305**	**105,677**	**(92,790)**
Benefits, losses and expenses					
Policyholder benefits	294,917	230,221	234,173	64,696	(3,952)
Interest credited to policyholders account balances	268,205	234,316	284,696	33,889	(50,380)
Commissions for acquiring and servicing policies	78,177	62,917	48,478	15,260	14,439
Other operating expenses	53,054	54,037	56,487	(983)	(2,450)
Change in deferred policy acquisition costs (1)	(5,780)	17,069	31,735	(22,849)	(14,666)
Total benefits and expenses	**688,573**	**598,560**	**655,569**	**90,013**	**(57,009)**
Income before other items and federal income taxes	**$ 75,619**	**$ 59,955**	**$ 95,736**	**$ 15,664**	**$ (35,781)**

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

Earnings increased during 2016 compared to 2015 primarily due to increased assets, as measured by account value and reserves, leading to an increase in margins earned on net investment income. The favorable decrease in DAC for 2016 was related to lower surrenders. Earnings decreased during 2015 compared to 2014 primarily due to the decrease in investment margins. Net investment income declined in 2015 primarily due to unrealized losses in income on over-the-counter-equity-indexed option derivatives and a decrease in investment income.

Premiums and other revenues

Annuity premium and deposit amounts received are shown below (in thousands):

	Years ended December 31,			Change over prior year	
	2016	**2015**	**2014**	**2016**	**2015**
Fixed deferred annuity	$ 508,894	$ 528,623	$ 316,265	$ (19,729)	$ 212,358
Single premium immediate annuity	281,521	213,341	215,871	68,180	(2,530)
Equity-indexed deferred annuity	572,473	432,517	245,574	139,956	186,943
Variable deferred annuity	76,012	93,898	110,854	(17,886)	(16,956)
Total premium and deposits	**1,438,900**	**1,268,379**	**888,564**	**170,521**	**379,815**
Less: Policy deposits	1,190,186	1,085,254	698,207	104,932	387,047
Total earned premiums	**$ 248,714**	**$ 183,125**	**$ 190,357**	**$ 65,589**	**$ (7,232)**

Beginning in the third quarter of 2015, the Company enhanced crediting rates on certain annuity products resulting in increased sales through 2016.

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We monitor account values and changes in those values as a key indicator of performance in our Annuity segment. Shown below are the changes in account values (in thousands):

	Years ended December 31,		
	2016	**2015**	**2014**
Fixed deferred and equity-indexed annuity			
Account value, beginning of period	$ 8,880,448	$ 8,873,397	$ 9,355,946
Net inflows	766,895	686,312	408,615
Surrenders	(784,666)	(893,986)	(1,158,463)
Fees	(5,821)	(6,301)	(9,007)
Interest credited	261,494	221,026	276,306
Account value, end of period	**9,118,350**	**8,880,448**	**8,873,397**
Single premium immediate annuity			
Reserve, beginning of period	1,398,481	1,274,664	1,144,616
Net inflows	117,840	68,355	82,820
Interest and mortality	50,119	55,462	47,228
Reserve, end of period	**1,566,440**	**1,398,481**	**1,274,664**
Variable deferred annuity			
Account value, beginning of period	417,821	494,516	489,305
Net inflows	71,982	91,276	108,094
Surrenders	(114,543)	(163,677)	(129,577)
Fees	(4,745)	(5,507)	(5,763)
Change in market value and other	21,830	1,213	32,457
Account value, end of period	**392,345**	**417,821**	**494,516**
Total account value, end of period	**$ 11,077,135**	**$ 10,696,750**	**$ 10,642,577**

Benefits, losses and expenses

Policyholder benefits consist of annuity payments and reserve increases for SPIA contracts. Reserve increases are highly correlated to the sales volume of SPIA contracts. The level of benefits for 2016, 2015, and 2014 was commensurate with increases in SPIA premium during these periods.

Commissions increased during 2016 compared to 2015 driven by the mix of business and the increase in sales of higher commissionable products, such as equity-indexed and single premium immediate annuities. Commissions increased during 2015 compared to 2014 driven by the increase in fixed deferred and equity-indexed annuity sales.

Other operating expenses were relatively flat during 2016 compared to 2015 despite the increase in annuity volume. Other operating expenses also decreased during 2015 compared to 2014.

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The change in DAC represents acquisition costs capitalized less the amortization of existing DAC, which is calculated in proportion to expected gross profits. The following shows the components of the change in DAC (in thousands):

	Years ended December 31, 2016	2015	2014	Change over prior year 2016	2015
Acquisition cost capitalized	$ 77,161	$ 64,724	$ 47,400	$ 12,437	$ 17,324
Amortization of DAC	(71,381)	(81,793)	(79,135)	10,412	(2,658)
Change in DAC	**$ 5,780**	**$ (17,069)**	**$ (31,735)**	**$ 22,849**	**$ 14,666**

The change in DAC increased during 2016 compared to 2015, and 2015 compared to 2014, due to an increase in capitalization which is primarily driven by the increase in commissions.

The amortization of DAC as a percentage of gross profits is an important ratio for the Annuity segment. Changes in this ratio reflect the impact of emerging experience. The ratios for the years ended December 31, 2016, 2015, and 2014 were 35.5%, 42.2%, and 34.0%, respectively. The favorable decrease in the 2016 ratio was directly related to lower surrenders. The 2015 ratio is at a relatively normal level. The lower 2014 ratio also reflects lower than estimated surrenders.

Options and Derivatives

Net investment income without equity-indexed options or option return increased during 2016 compared to 2015 primarily due to higher account values and reserves as a result of increased sales. Net investment income without option return decreased during 2015 compared to 2014 primarily due to a lower net investment portfolio yield.

The S&P 500 Index increased by approximately 9.5% in 2016 and decreased by approximately 0.7% in 2015.This change in index performance led to an increase in the option return of $33.3 million during 2016 compared to 2015, partially offset by a $27.9 million increase in the related equity-indexed embedded derivative for a net increase in earnings of $5.4 million.

The following table summarizes the incremental impact of the investment performance of option return on net investment income, and the impact of the equity-indexed annuity embedded derivatives to interest credited to policyholder s account balances (in thousands):

	Years ended December 31, 2016	2015	2014	Change over prior year 2016	2015
Net investment income					
Without option return	$ 474,627	$ 466,660	$ 496,652	$ 7,967	$ (29,992)
Option return	26,099	(7,202)	49,235	33,301	(56,437)
Interest credited to policy account balances					
Without embedded derivatives	244,701	238,702	255,383	5,999	(16,681)
Equity-indexed annuity embedded derivatives	23,504	(4,386)	29,313	27,890	(33,699)

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Health

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

	Years ended December 31,			Change over prior year	
	2016	2015	2014	2016	2015
Premiums and other revenues					
Premiums	$ 175,589	$ 196,777	$ 216,868	$ (21,188)	$ (20,091)
Net investment income	9,942	10,135	11,692	(193)	(1,557)
Other income	17,488	17,714	20,391	(226)	(2,677)
Total premiums and other revenues	**203,019**	**224,626**	**248,951**	**(21,607)**	**(24,325)**
Benefits, losses and expenses					
Claims incurred	131,828	146,805	144,799	(14,977)	2,006
Commissions for acquiring and servicing policies	22,846	27,455	35,896	(4,609)	(8,441)
Other operating expenses	43,263	45,047	43,261	(1,784)	1,786
Change in deferred policy acquisition costs (1)	3,770	3,394	(564)	376	3,958
Total benefits and expenses	**201,707**	**222,701**	**223,392**	**(20,994)**	**(691)**
Income before other items and federal income taxes	**$ 1,312**	**$ 1,925**	**$ 25,559**	**$ (613)**	**$ (23,634)**

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

Earnings remained relatively constant during 2016 and 2015 and decreased from 2014 relating to separate items that reduced earnings below levels of prior years. In 2016, the Company decreased the estimate of losses that would be ceded to and paid by reinsurers on claims incurred primarily in 2001. In 2015, earnings were negatively impacted due to an increase in claims retained by the Company from a reinsurer that was unable to meet its contractual obligations.

Premiums and other revenues

Health earned premiums for the periods indicated were as follows (in thousands, except percentages):

	Years ended December 31,					
	2016		2015		2014	
Medicare Supplement	$ 68,376	38.9%	$ 76,090	38.6%	$ 85,099	39.2%
Credit accident and health	15,124	8.6	13,106	6.7	13,736	6.3

MGU	17,611	10.0	23,798	12.1	24,230	11.2
Supplemental insurance	23,876	13.6	26,546	13.5	31,769	14.7
Medical expense	14,021	8.0	16,910	8.6	21,919	10.1
Group	30,974	17.6	34,361	17.5	33,835	15.6
All other	5,607	3.3	5,966	3.0	6,280	2.9
Total	**$ 175,589**	**100.0%**	**$ 196,777**	**100.0%**	**$ 216,868**	**100.0%**

Earned premiums decreased during 2016 compared to 2015, primarily due to a decline in Medicare Supplement and MGU premiums. Medicare Supplement earned premiums decreased due to lapses that were greater than new sales, compounded by the continuing shift in sales from comprehensive higher premium plans to the lower premium high deductible plan. MGU premiums decreased due to the removal of lesser performing groups by several MGUs. New sources of business have originated during the current year and it is intended that premiums written for these groups will replace portions of the cancelled groups. Medical expense premiums continued to decline due to lapsation of this closed block of business. Supplemental insurance declined during 2016 compared to 2015, due to lapsation, which more than offset the increase in sales relative to 2015. Earned premiums decreased during 2015 compared to 2014 primarily due to the continued contraction of the closed medical expense blocks of business, and a decrease in Medicare Supplement sales.

Effective January 1, 2017, the majority of the Group premium, which is in runoff, did not renew. Consequently, 2017 earned premium for this component of business will be significantly lower than in prior periods.

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Our in-force certificates or policies as of the dates indicated are as follows:

	December 31,					
	2016		2015		2014	
Medicare Supplement	33,815	6.3%	35,586	6.8%	38,245	6.0%
Credit accident and health	194,194	36.1	204,080	39.0	227,790	35.8
MGU	195,936	36.4	164,626	31.4	239,537	37.6
Supplemental insurance	60,261	11.2	62,384	11.9	70,207	11.0
Medical expense	2,228	0.4	2,717	0.5	3,313	0.5
Group	17,485	3.3	16,988	3.2	16,877	2.6
All other	33,820	6.3	37,335	7.2	41,417	6.5
Total	**537,739**	**100.0%**	**523,716**	**100.0%**	**637,386**	**100.0%**

In-force policies decreased in all blocks of health business, except for group and MGU during 2016. Since the MGU policy counts include 100% reinsured certificates, the increase does not always translate into corresponding increases in premiums. Total in-force policies decreased during 2015 compared to 2014, primarily due to decreases in the MGU line, credit accident and health business, and supplemental insurance. MGU inforce certificate counts decreased during 2015 primarily as a result of removing lesser performing groups by several MGUs. Credit accident and health decreased due to contraction in that market as distributors continued to shift their marketing emphasis to property and casualty products.

Benefits, losses and expenses

Claims incurred increased during 2015 due to a receivable write-off associated with an insolvent reinsurer. The decrease in claims during 2016 reflected the non-recurrence of the aforementioned write-off which was partially offset by a $7.2 million change in estimate, decreasing the amount of ceded claim reserves in 2016.

Commissions decreased during 2016 compared to 2015 primarily due to the decrease in premiums.

Other operating expenses for 2016, 2015, and 2014 were relatively flat.

Change in Deferred Policy Acquisition Costs

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

	Years ended December 31,			Change over prior year	
	2016	2015	2014	2016	2015
Acquisition cost capitalized	$ 11,203	$ 20,249	$ 19,530	$ (9,046)	$ 719
Amortization of DAC	(14,973)	(23,643)	(18,966)	8,670	(4,677)
Change in DAC	**$ (3,770)**	**$ (3,394)**	**$ 564**	**$ (376)**	**$ (3,958)**

The change in DAC had a slightly larger impact on expenses during 2016 compared to 2015 due to declining commission expense deferral. The increase in amortization of DAC in 2015 relative to 2014 was associated with the smaller Medicare Supplement and closed Medical Expense blocks as well as greater than expected lapsation of the limited benefit medical supplemental products.

Reinsurance

For the medical expense business, we use reinsurance on an excess of loss basis. We purchase coverage for $1.5 million in excess of $500,000. We cede or retrocede the majority of the premium and risk associated with our stop loss and other MGU programs. We maintain reinsurance on a quota share basis for our long-term care and disability income business.

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Reinsurance is also used in the credit accident and health business. In certain cases, particularly in the auto retail market, we may also reinsure the policy written through non-U.S. producer-owned captive reinsurers to allow the dealer to participate in the performance of these credit accident and health contracts. A majority of the treaties entered into by our Credit Insurance Division are written on a 100% coinsurance basis with benefit limits of $1,000 per month.

For 2016, the companies to which we have ceded reinsurance for the Health segment are shown below (in thousands, except percentages):

Reinsurer	A.M. Best Rating(1)	Ceded Premium	Percentage of Gross Premium
Maiden Reinsurance North America, Inc.	A	$ 50,864	12.8%
Munich Reinsurance America	A+	22,900	5.8
QBE Reinsurance Corporation	A	15,707	4.0
Monitor Life	A-	15,075	3.8
Other reinsurers with no single company greater than 5.0% of the total ceded premium		116,974	29.5
Total health reinsurance ceded		**$ 221,520**	**55.9%**

(1) A.M.Best rating as of the most current information available February 10, 2017

Property and Casualty

Property and Casualty results for the periods indicated were as follows (in thousands, except percentages):

	Years ended December 31, 2016	2015	2014	Change over prior year 2016	2015
Premiums and other revenues					
Net premiums written	$ 1,282,876	$ 1,187,980	$ 1,109,029	$ 94,896	$ 78,951
Net premiums earned	$ 1,253,392	$ 1,153,267	$ 1,100,975	$ 100,125	$ 52,292
Net investment income	57,091	55,620	58,843	1,471	(3,223)
Other income	4,588	5,534	4,735	(946)	799
Total premiums and other revenues	**1,315,071**	**1,214,421**	**1,164,553**	**100,650**	**49,868**
Benefits, losses and expenses					
Claims incurred	883,219	776,562	745,540	106,657	31,022

Commissions for acquiring and servicing policies	232,514	213,486	188,305	19,028	25,181
Other operating expenses	165,509	156,583	130,655	8,926	25,928
Change in deferred policy acquisition costs (1)	(725)	(1,200)	10,421	475	(11,621)
Total benefits and expenses	**1,280,517**	**1,145,431**	**1,074,921**	**135,086**	**70,510**
Income before other items and federal income taxes	**$ 34,554**	**$ 68,990**	**$ 89,632**	**$ (34,436)**	**$ (20,642)**
Loss ratio	70.5%	67.3%	67.7%	3.2	(0.4)
Underwriting expense ratio	31.7	32.0	29.9	(0.3)	2.1
Combined ratio	102.2%	99.3%	97.6%	2.9	1.7
Impact of catastrophe events on combined ratio	6.8	5.7	5.9	1.1	(0.2)
Combined ratio without impact of catastrophe events	95.4%	93.6%	91.7%	1.8	1.9
Gross catastrophe losses	$ 85,252	$ 65,413	$ 64,479	$ 19,839	$ 934
Net catastrophe losses	84,989	62,717	65,374	22,272	(2,657)

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

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Property and Casualty pre-tax earnings decreased during 2016 compared to 2015, as continued premium growth and the favorable results in our commercial lines were outpaced by the increase in losses attributable to personal auto claims and higher catastrophe losses. Gross catastrophe losses for the year ended December 31, 2016 increased compared to 2015 as the losses reverted to what we believe is a more normal level. Property and Casualty earnings decreased during 2015 compared to 2014 due to increased non-catastrophe claims and growth related operating expenses.

Premiums and other revenues

Net premiums written and earned increased during 2016 compared to 2015 for all major lines of business. The largest increases were in the personal automobile and collateral protection lines of business. Net premiums written and earned increased during 2015 compared to 2014 due to increases in the commercial and credit lines.

Benefits, losses and expenses

Claims incurred increased during 2016 compared to 2015 as a result of increases in catastrophe losses as well as an increase in frequency and severity of claims related to the automobile lines of business. The increase in claims during 2015 compared to 2014 was primarily a result of an increase in non-catastrophe weather related losses.

Commissions for acquiring and servicing policies increased during 2016 compared to 2015, primarily as a result of the growth of the collateral protection and mortgage security insurance lines of business. Commissions for acquiring and servicing policies increased during 2015 compared to 2014 as a result of the growth of the collateral protection line of business.

The underwriting expense ratio decreased in 2016 compared to 2015. Operating expenses increased during 2016 compared to 2015, and 2015 compared to 2014, as a result of costs related to growth initiatives.

Gross catastrophe losses for the year ended December 31, 2016 increased compared to 2015 as the losses reverted to what we believe is a more normal level. Gross catastrophe losses for the year ended December 31, 2015 were relatively flat compared to 2014. Average severity of catastrophe losses increased by 6% in 2016 compared to 2015 but decreased by 17% in 2015 compared to 2014.

Products

Our Property and Casualty segment consists of: (i) Personal products, marketed primarily to individuals, representing 56.7% of net premiums written; (ii) Commercial products, which focus primarily on agricultural and other markets, representing 31.7% of net premiums written; and (iii) Credit-related property insurance products, which are marketed to and through financial institutions and retailers, representing 11.6% of net premiums written.

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Personal Products

Personal Products results for the periods indicated were as follows (in thousands, except percentages):

	Years ended December 31,			Change over prior year	
	2016	**2015**	**2014**	**2016**	**2015**
Net premiums written					
Automobile	$ 445,860	$ 412,686	$ 403,470	$ 33,174	$ 9,216
Homeowner	238,967	226,272	223,852	12,695	2,420
Other Personal	42,484	41,658	37,290	826	4,368
Total net premiums written	**$ 727,311**	**$ 680,616**	**$ 664,612**	**$ 46,695**	**$ 16,004**
Net premiums earned					
Automobile	$ 431,580	$ 405,891	$ 400,050	$ 25,689	$ 5,841
Homeowner	230,565	222,338	219,920	8,227	2,418
Other Personal	42,122	40,966	36,638	1,156	4,328
Total net premiums earned	**$ 704,267**	**$ 669,195**	**$ 656,608**	**$ 35,072**	**$ 12,587**
Loss ratio					
Automobile	85.7%	77.6%	78.0%	8.1%	(0.4)%
Homeowner	71.8	64.5	64.1	7.3	0.4
Other Personal	55.3	62.8	42.6	(7.5)	20.2
Personal line loss ratio	**79.3%**	**72.4%**	**71.4%**	**6.9%**	**1.0%**
Combined Ratio					
Automobile	110.9%	102.8%	101.1%	8.1%	1.7%
Homeowner	100.0	91.7	89.4	8.3	2.3
Other Personal	79.1	87.0	62.0	(7.9)	25.0
Personal line combined ratio	**105.5%**	**98.2%**	**95.0%**	**7.3%**	**3.2%**

Automobile: Net premiums written and earned increased in the personal automobile line during 2016 compared to 2015, due to an increase of policies in force and rate increases. The loss and combined ratio increased during 2016 compared to 2015, primarily due to an increase in the frequency and severity of claims and catastrophe losses compared to the prior year. Net premiums written and earned increased during 2015 compared to 2014, due to increases in sales volume and rates.

Homeowner: Net premiums written and earned increased during 2016 compared to 2015, primarily due to increases in sales of homeowner products to renters. The loss and combined ratio increased during 2016 compared to 2015, due to increases in catastrophe claim activity compared to the prior year. Net premiums written increased during 2015 compared to 2014 given growth in policy counts.

Other Personal: These products include watercraft, rental-owner and umbrella coverages for individuals seeking to protect their personal property and liability not covered within their home and auto policies. The loss ratio decreased during 2016 compared to 2015 primarily due to certain umbrella claim re-designations from personal lines to commercial lines. The loss ratio increased during 2015 compared to 2014 due to increased catastrophe claim activity during the first half of 2015 and lower than typical loss results in 2014.

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Commercial Products

Commercial Products results for the periods indicated were as follows (in thousands, except percentages):

	Years ended December 31,			Change over prior year	
	2016	**2015**	**2014**	**2016**	**2015**
Net premiums written					
Other Commercial	$ 172,667	$ 159,834	$ 150,819	$ 12,833	$ 9,015
Agricultural Business	137,182	123,548	115,592	13,634	7,956
Automobile	96,939	88,767	86,603	8,172	2,164
Total net premiums written	**$ 406,788**	**$ 372,149**	**$ 353,014**	**$ 34,639**	**$ 19,135**
Net premiums earned					
Other Commercial	$ 165,828	$ 154,114	$ 146,845	$ 11,714	$ 7,269
Agricultural Business	133,436	121,031	111,599	12,405	9,432
Automobile	94,423	87,450	84,653	6,973	2,797
Total net premiums earned	**$ 393,687**	**$ 362,595**	**$ 343,097**	**$ 31,092**	**$ 19,498**
Loss ratio					
Other Commercial	63.1%	65.3%	77.5%	(2.2)	(12.2)
Agricultural Business	58.1	66.0	66.6	(7.9)	(0.6)
Automobile	70.8	74.4	69.5	(3.6)	4.9
Commercial line loss ratio	**63.2%**	**67.7%**	**72.0%**	**(4.5)**	**(4.3)**
Combined ratio					
Other Commercial	94.7%	93.3%	104.4%	1.4	(11.1)
Agricultural Business	95.4	106.6	106.3	(11.2)	0.3
Automobile	95.6	98.5	92.6	(2.9)	5.9
Commercial line combined ratio	**95.1%**	**99.0%**	**102.1%**	**(3.9)**	**(3.1)**

Other Commercial: Net premiums written and earned increased during 2016 compared to 2015 primarily due to increased sales of mortgage security insurance. This increase was partially offset by an increase in reinsurance premium ceded for the workers compensation and umbrella lines of business. Net premiums written and earned increased during 2015 compared to 2014, primarily due to increased premium per policy for the workers compensation and business owners products. Improvement in the loss and combined ratios during 2015 compared to 2014 is primarily due to favorable case reserve development on workers compensation claims.

Agricultural Business: Our agricultural business product allows policyholders to customize and cover their agriculture exposure using a package policy which includes coverage for residences and household contents, farm buildings and building contents, personal and commercial liability and personal property. Net premiums written and earned increased during 2016 compared to 2015, primarily as a result of improved rate adequacy. The loss ratio decreased during 2016 compared to 2015 primarily due to a decrease in catastrophe losses. Net premiums earned increased during 2015 compared to 2014 primarily as a result of improved rate adequacy.

Automobile: Net premiums written and earned increased during 2016 compared to 2015, due to an increase in direct written premiums coupled with a decrease in ceded premiums. The loss ratio decreased during 2016 compared to 2015, primarily due to a decrease in average severity of losses. Net premiums written increased during 2015 compared to 2014 primarily due to improved rate adequacy. The loss and combined ratios increased during 2015 compared to 2014, primarily due to an increase in average severity of losses.

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Credit Products

Credit-related property product results for the periods indicated were as follows (in thousands, except percentages):

	Years ended December 31,			Change over prior year	
	2016	2015	2014	2016	2015
Net premiums written	$ 148,777	$ 135,215	$ 91,403	$ 13,562	$ 43,812
Net premiums earned	155,437	121,477	101,270	33,960	20,207
Loss ratio	48.7%	38.4%	29.5%	10.3%	8.9%
Combined ratio	107.2%	107.9%	100.8%	(0.7)%	7.1%

Credit-related property products are offered on automobiles, residential and commercial real estate, furniture and appliances in connection with the financing of those items. These policies pay an amount if the insured property is lost or damaged and the amount paid is not directly related to an event affecting the consumer s ability to pay the debt.

Net written and earned premiums increased during 2016 compared to 2015, primarily due to increases in our collateral protection business. The loss ratio increased during 2016 compared to 2015 and 2015 compared to 2014, primarily due to an increase in claims in our Guaranteed Auto Protection (GAP) business lines. Net written and earned premiums increased during 2015 compared to 2014 primarily due to increases in our Collateral Protection business and updated pricing initiatives in our GAP business. The loss ratio increased during 2015 compared to 2014 mostly due to an increase in claims in our GAP business lines.

Reinsurance

We reinsure a portion of the risks that we underwrite to manage our loss exposure. In return for ceded premiums, reinsurers assume a portion of the claims incurred. In addition to our reinsurance coverage, we are partially protected by the Terrorism Risk Insurance Program Reauthorization Act of 2015 and its predecessors. We participate in the National Flood Insurance Program administered by the Federal Emergency Management Agency.

We retain the first $500,000 for workers compensation risks and the first $1.5 million of loss per risk for non-workers compensation risks. Workers compensation reinsurance coverage for losses between $500,000 and $1 million follows satisfaction of a $2 million annual aggregate deductible. Our catastrophe reinsurance retention covering property and casualty companies in total is $17.5 million for non-earthquake losses and $10 million for earthquake losses.

The following table summarizes the Company s catastrophe reinsurance coverage effective during 2017.

Layer of Loss	Catastrophe Reinsurance Coverage in Force
Less than $10.0 million	100% of loss retained except for certain losses covered by the *Catastrophe Aggregate* and *Stretch & Aggregate* coverage described below
$10.0 million $17.5 million	100% of earthquake losses countrywide
$17.5 million $500 million	100% of multiple peril losses covered by *Corporate Program*[(1)] (all perils)

(1) The Corporate Program covers all non-credit property and casualty business, subject to certain limits, and is not specific to the Company or any of its subsidiaries, or any state or region. The program does cover the Mortgage Security Insurance business written by the Credit Insurance Division.

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Each per-event coverage above includes one automatic reinstatement except for a 12.5% portion of the Corporate Program (12.5% of $35 million to $500 million). The automatic reinstatement requires us to pay additional reinsurance premium for any losses into each reinsurance layer. The reinstatement premium is prorated by the percentage of actual loss to the coverage, with the exception of losses from $35 million to $100 million, which reflect a 50% reduction on the prorated amount, and the losses from $17.5 million to $35 million, which are free for the first limit and reflect a 50% reduction on the second limit. The 12.5% placement of non-reinstateable coverage reduces the amount of reinstatement premium we are obligated to pay.

We purchase a Catastrophe Aggregate reinsurance coverage that provides for $30 million of limit excess of $90 million of aggregated catastrophe losses. Qualifying losses include amounts of retained losses below $10 million on Property Claims Services (PCS) declared catastrophe events and internally declared catastrophe events exceeding $5 million. The Catastrophe Aggregate reinsurance coverage has been placed at 100.0% for 2017 and does not include a reinstatement.

A Stretch & Aggregate cover is purchased which consists of a $35 million annual limit available either wholly or in part across two layers. The first layer is 8.75% of $400 million excess of $100 million on an occurrence basis. The second layer provides aggregate protection for a subject loss and is $35 million excess of $5 million of each catastrophe. Recoveries follow satisfaction of a $45 million annual aggregate deductible. This cover was placed at 100% on July 1, 2015, and again on July 1, 2016. It is in place until June 30, 2017. American National expects to place the cover again on July 1, 2017.

We use multiple reinsurers with each reinsurer absorbing part of the overall risk ceded. The primary reinsurers in the 2016 programs and the coverage each provides are shown in the following table:

Reinsurer	A.M. Best Rating(1)	Percent of Risk Covered: Non Catastrophe	Percent of Risk Covered: Catastrophe
Lloyd s Syndicates	A	41.9%	43.7%
Swiss Re	A+	15.8	6.3
Safety National Casualty Corporation	A+	18.2	
Hannover Ruckversicherung-Aktiengesellschaft, Germany	A+	9.2	
Tokio Millunnium Re Ltd.	A++		7.0
Other Reinsurers with no single company with greater than a 5% share		14.9	43.0
Total Reinsurance Coverage		**100.0%**	**100.0%**

(1) A.M. Best rating as of the most current information available February 1, 2017

Reserve Development

While we believe that our claims reserves at December 31, 2016 are adequate, new information, events or circumstances, unknown at the original valuation date, may lead to future developments in ultimate losses in amounts significantly greater or less than the reserves currently recorded. The actual final cost of settling both claims outstanding at December 31, 2016 and claims expected to arise from unexpired periods of risk is uncertain. There are many other possible changes that would cause losses to increase or decrease, which include but are not limited to: claim severity; the expected level of reported claims; judicial action changing the scope or liability of coverage; the regulatory, social and economic environment; and unexpected changes in loss inflation. For additional information regarding prior year development of our claims and CAE reserves, refer to Note 12, Liability for Unpaid Claims and Claim Adjustment Expenses, of the Notes to the Consolidated Financial Statements.

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Corporate and Other

Corporate and Other segment financial results for the periods indicated were as follows (in thousands):

	Years ended December 31,			Change over prior year	
	2016	2015	2014	2016	2015
Other revenues					
Net investment income	$ 64,553	$ 83,542	$ 84,047	$ (18,989)	$ (505)
Realized investment gains (losses), net	28,940	59,443	41,422	(30,503)	18,021
Other Income	7,944	5,976	9,533	1,968	(3,557)
Total other revenues	**101,437**	**148,961**	**135,002**	**(47,524)**	**13,959**
Benefits, losses and expenses					
Commissions	(3)	(2)		(1)	(2)
Other operating expenses	41,864	44,598	60,535	(2,734)	(15,937)
Total benefits, losses and expenses	**41,861**	**44,596**	**60,535**	**(2,735)**	**(15,939)**
Income before other items and federal income taxes	**$ 59,576**	**$ 104,365**	**$ 74,467**	**$ (44,789)**	**$ 29,898**

Earnings decreased during 2016 compared to 2015 primarily due to a decrease in realized investment gains. The decrease in realized investment gains is primarily attributable to a decrease in the sale of certain real estate holdings compared to 2015. Earnings increased during 2015 compared to 2014 primarily due to a decrease in operating expenses and an increase in realized investment gains. The increase in realized investment gains in 2015 was attributable to higher gains on the sale of equity securities and higher real estate sale activity.

The Corporate and Other business segment recorded other-than-temporary impairments of $17.7 million, $27.9 million, and $6.6 million in 2016, 2015, and 2014, respectively, which are in Realized investment gains, net.

Investments

We manage our investment portfolio to optimize the rate of return commensurate with sound and prudent asset selection and to maintain a well-diversified portfolio. Our investment operations are regulated primarily by the state insurance departments where the insurance subsidiaries are domiciled. Investment activities, including setting investment policies and defining acceptable risk levels, are subject to oversight by our Board of Directors, which is assisted by our Finance Committee and Management Risk Committee.

Our insurance and annuity products are supported by investment-grade-bonds and commercial mortgage loans. We also invest in equity options as a hedge for our indexed products. We purchase fixed maturity securities and designate them as either held-to-maturity or available-for-sale considering our estimated future cash flow needs. We also monitor the composition of our fixed maturity securities classified as held-to-maturity and available-for-sale and adjust the mix within the portfolio as investments mature or new investments are purchased.

We invest in commercial mortgage loans when the yield and credit risk compare favorably with fixed maturity securities. Individual residential mortgage loans including sub-prime or Alt-A mortgage loans have not been and are not expected to be part of our investment portfolio. We purchase real estate and equity investments based on a risk and reward analysis where we believe there are opportunities for enhanced returns.

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The following summarizes the carrying values of our invested assets (other than investments in unconsolidated affiliates) by asset class (in thousands, except percentages):

	December 31, 2016		December 31, 2015	
Bonds held-to-maturity, at amortized cost	$ 7,251,385	35.8%	$ 7,609,420	38.7%
Bonds available-for-sale, at fair value	5,803,276	28.7	5,483,916	28.0
Equity securities, at fair value	1,541,676	7.6	1,514,979	7.7
Mortgage loans, net of allowance	4,348,046	21.5	3,483,280	17.8
Policy loans	384,376	1.9	407,491	2.1
Investment real estate, net of accumulated depreciation	593,417	2.9	581,255	3.0
Short-term investments	192,226	1.0	460,612	2.3
Other invested assets	113,550	0.6	71,943	0.4
Total investments	**$ 20,227,952**	**100.0%**	**$ 19,612,896**	**100.0%**

The increase in our total investments at December 31, 2016 compared to 2015 was primarily a result of the purchase of bonds available-for-sale and increased mortgage loan activity.

Bonds We allocate most of our fixed maturity securities to support our insurance business. At December 31, 2016, our fixed maturity securities had an estimated fair value of $13.3 billion, which was $0.4 billion, or 2.9%, above amortized cost. At December 31, 2015, our fixed maturity securities had an estimated fair value of $13.2 billion, which was $0.2 billion, or 1.6%, above amortized cost. The estimated fair value for securities due in one year or less increased from $0.5 billion as of December 31, 2015 to $0.7 billion as of December 31, 2016, primarily as a result of maturities. For additional information regarding total bonds by credit quality rating refer to Note 4, Investments in Securities, of the Notes to the Consolidated Financial Statements.

Equity Securities We invest in companies publicly traded on national U.S. stock exchanges; See Note 4, Investments in Securities, of the Notes to the Consolidated Financial Statements for the cost, gross unrealized gains and losses, and fair value of the equity securities.

Mortgage Loans We invest in commercial mortgage loans that are diversified by property-type and geography. Generally, mortgage loans are secured by first liens on income-producing real estate with a loan-to-value ratio of up to 75%. Mortgage loans are carried at outstanding principal balances, adjusted for any unamortized premium or discount, deferred fees or expenses, and net of allowances. The weighted average coupon yield on the principal funded for mortgage loans was 4.7% and 4.4% at December 31, 2016 and 2015, respectively.

Policy Loans For certain life insurance products, policyholders may borrow funds using the policy s cash value as collateral. The maximum amount of the policy loan depends upon the policy s surrender value. As of December 31, 2016, we had $384.4 million in policy loans with a loan to surrender value of 64.6%, and at December 31, 2015, we had $407.5 million in policy loans with a loan to surrender value of 61.3%. Interest rates on policy loans primarily range from 3.0% to 12.0% per annum. Policy loans may be repaid at any time by the policyholder and have priority to any claims on the policy. If the policyholder fails to repay the policy loan, funds are withdrawn from the policy s benefits.

Investment Real Estate We invest in commercial real estate where positive cash flows and/or appreciation in value is expected. Real estate may be owned directly by our insurance companies or non-insurance affiliates or indirectly in joint ventures with real estate developers or investors we determine share our perspective regarding risk and return relationships. The carrying value of real estate is stated at cost, less accumulated depreciation and valuation allowances, if any. Depreciation is provided over the estimated useful lives of the properties.

Short-Term Investments Short-term investments are primarily commercial paper rated A2 or P2 or better by Standard & Poor s and Moody s, respectively. The amount fluctuates depending on our view of the desirability of investing in the available long-term investment opportunities and our liquidity needs, including mortgage investment-funding commitments.

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Net Investment Income and Net Realized Gains (Losses)

Net investment income increased $25.4 million during 2016 compared to 2015 primarily due to an increase in unrealized gains of equity-indexed options as a result of increases in the S&P 500 which are recorded at fair value with changes in fair value recorded as investment income.

Interest income on mortgage loans is accrued on the principal amount of the loan at the contractual interest rate. Accretion of discounts is recorded using the effective yield method. Interest income, accretion of discounts and prepayment fees are reported in net investment income. Interest is not accrued on loans generally more than 90 days past due or when the collection of interest is not considered probable. Loans in foreclosure are placed on non-accrual status. Interest received on non-accrual status mortgage loans is included in net investment income in the period received.

Net realized gains decreased $40.8 million during 2016 compared to 2015 primarily due to a decrease in the sale of certain real estate holdings. Other-than-temporary impairment on investment securities decreased $10.3 million during 2016 compared to 2015.

Net Unrealized Gains and Losses

The unrealized gains and losses of our fixed maturity and equity securities investment portfolio are shown below (in thousands):

	December 31, 2016	December 31, 2015	Change
Held-to-Maturity			
Gains	$ 285,315	$ 305,964	$ (20,649)
Losses	(40,008)	(159,831)	119,823
Net Gain	**245,307**	**146,133**	**99,174**
Available-for-Sale (1)			
Gains	986,635	891,687	94,948
Losses	(43,100)	(131,449)	88,349
Net Gain	**943,535**	**760,238**	**183,297**
Total	**$ 1,188,842**	**$ 906,371**	**$ 282,471**

(1) Includes bonds and equity securities

The net change in the unrealized gains on fixed maturity securities between December 31, 2015 and December 31, 2016 is primarily attributable to the decrease in interest rates. The Company does not currently intend to sell nor does it expect to be required to sell any of the securities in an unrealized loss position.

The net unrealized gains of our equity securities were $809.2 million and $704.2 million at December 31, 2016 and 2015, respectively. The increase is attributable to favorable market conditions.

Liquidity

Our liquidity requirements have been and are expected to continue to be met by funds from operations, comprised of premiums received from our customers, collateral for derivative transactions, and investment income. The primary use of cash has been and is expected to continue to be payment of policyholder benefits and claims incurred. Current and expected patterns of claim frequency and severity may change from period to period but continue to be within historical norms. Management considers our current liquidity position to be sufficient to meet anticipated demands over the next twelve months. Our contractual obligations are not expected to have a significant negative impact to cash flow from operations.

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Changes in interest rates during 2016 and market expectations for potentially higher rates through 2017 may lead to an increase in the volume of annuity contracts, which may be partially offset by increases in surrenders. Our defined benefit plans are frozen and currently adequately funded; however, low interest rates, increased longevity of participants, and rising Pension Benefit Guaranty Corporation (PBGC) premiums may cause us to increase our funding of the plans. Future contributions to our defined benefit plans are not expected to significantly impact cash flow and are expected to enhance overall funded status of plans. No unusually large capital expenditures are expected in the next 12-24 months. We have paid dividends to stockholders for over 110 consecutive years and expect to continue this trend. There are no other known trends or uncertainties regarding product pricing, changes in product lines or rising costs that are expected to have a significant impact to cash flows from operations.

Funds received as premium payments and deposits are generally invested in bonds and commercial mortgages. Funds are invested with the intent that income from the investments and proceeds from the maturities will meet our ongoing cash flow needs. We historically have not had to liquidate invested assets in order to cover cash flow needs. We believe our portfolio of highly liquid available-for-sale investment securities, including equity securities, is sufficient to meet future liquidity needs as necessary.

The Company holds collateral to offset exposure from its derivative counterparties. Cash flows associated with collateral received from counterparties change as the market value of the underlying derivative contract changes. As the value of a derivative asset declines or increases, the collateral requirements would also decline or increase respectively. For more information, see Note 7, Derivative Instruments, of the Notes to the Consolidated Financial Statements.

Our cash and cash equivalents and short-term investment position decreased from $771.5 million at December 31, 2015 to $481.6 million at December 31, 2016. The decrease relates primarily to a reduction in short-term investments used to fund additional investments in mortgage loans and construction loans.

A downgrade or a potential downgrade in our financial strength ratings could result in a loss of business and could adversely affect our cash flow from operations.

Further information regarding additional sources or uses of cash is described in Note 19, Commitments and Contingencies, of the Notes to the Consolidated Financial Statements.

Capital Resources

Our capital resources are summarized below (in thousands):

		December 31,	
	2016	**2015**	**2014**
American National stockholders equity, excluding accumulated other comprehensive income, net of tax (AOCI)	$ 4,196,279	$ 4,099,662	$ 3,936,781
AOCI	455,899	352,620	490,782
Total American National stockholders equity	**$ 4,652,178**	**$ 4,452,282**	**$ 4,427,563**

We have notes payable relating to borrowings by real estate joint ventures that we consolidate into our financial statements that are not part of our capital resources. The lenders for the notes payable have no recourse against us in the event of default by the joint ventures. Therefore, the liability we have for these notes payable is limited to our investment in the respective ventures, which totaled $31.8 million and $34.7 million at December 31, 2016 and 2015, respectively.

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The changes in our capital resources are summarized below (in thousands):

	December 31, 2016			December 31, 2015		
	Capital and Retained Earnings	**AOCI**	**Total**	**Capital and Retained Earnings**	**AOCI**	**Total**
Net income attributable to American National	$ 181,003	$	$ 181,003	$ 242,988	$	$ 242,988
Dividends to shareholders	(87,741)		(87,741)	(84,446)		(84,446)
Change in net unrealized gains		93,704	93,704		(114,717)	(114,717)
Defined benefit pension plan adjustment		9,286	9,286		(21,815)	(21,815)
Foreign currency transaction and translation adjustment		289	289		(1,630)	(1,630)
Other	3,355		3,355	4,339		4,339
Total	**$ 96,617**	**$ 103,279**	**$ 199,896**	**$ 162,881**	**$ (138,162)**	**$ 24,719**

Statutory Capital and Surplus and Risk-based Capital

Statutory capital and surplus is the capital of our insurance companies reported in accordance with accounting practices prescribed or permitted by the applicable state insurance departments. RBC is calculated using formulas applied to certain financial balances and activities that consider, among other things, investment risks related to the type and quality of investments, insurance risks associated with products and liabilities, interest rate risks and general business risks. Insurance companies that do not maintain capital and surplus at a level of at least 200% of the authorized control level RBC are required to take certain actions. At December 31, 2016 and December 31, 2015, American National Insurance Company s statutory capital and surplus was $2,985,909,000 and $2,925,935,000, respectively. American National Insurance Company and each of its insurance subsidiaries had statutory capital and surplus at December 31, 2016 and December 31, 2015, substantially above 200% of the authorized control level.

The achievement of long-term growth will require growth in American National Insurance Company s and our insurance subsidiaries statutory capital and surplus. Our subsidiaries may obtain additional statutory capital through various sources, such as retained statutory earnings or equity contributions from us.

Contractual Obligations

The following summarizes our contractual obligations as of December 31, 2016 (in thousands):

		Payments Due by Period			
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**

Life insurance obligations[1]	$ 5,394,794	$ (643)	$ 117,641	$ 305,096	$ 4,972,700
Annuity obligations[1]	13,334,931	1,313,300	3,365,580	2,565,871	6,090,180
Property and casualty insurance obligations[2]	855,974	344,166	267,168	105,843	138,797
Accident and health insurance obligations[3]	228,741	104,839	37,366	19,409	67,127
Purchase obligations					
Commitments to purchase and fund investments	83,367	49,867	11,590	11,409	10,501
Mortgage loan commitments	703,710	487,765	215,945		
Operating leases	5,086	1,687	2,032	1,063	304
Defined benefit pension plans[4]	103,089	12,394	22,574	21,544	46,577
Notes payable[5]	136,080		8,584	37,074	90,422
Total	**$ 20,845,772**	**$ 2,313,375**	**$ 4,048,480**	**$ 3,067,309**	**$ 11,416,608**

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(1) Life and annuity obligations include undiscounted estimated claim, benefit, surrender and commission obligations offset by expected future premiums and deposits on in-force insurance policies and annuity contracts. All amounts are gross of any reinsurance recoverable. Estimated claim, benefit and surrender obligations are based on mortality and lapse assumptions comparable with historical experience. Estimated payments on interest-sensitive life and annuity obligations include interest credited to those products. The interest crediting rates are derived by deducting current product spreads from a constant investment yield. As a result, the estimated obligations for insurance liabilities included in the table exceed the liabilities recorded in the liability for future policy benefits and policy and contract claims. Due to the significance of the assumptions used, the amounts presented could materially differ from actual payments. Separate account obligations have not been included in the table since those obligations are not part of the general account obligations and will be funded by cash flows from separate account assets. The general account obligations for insurance liabilities will be funded by cash flows from general account assets and future premiums and deposits. Participating policyholder dividends payable consists of liabilities related to dividends payable in the following calendar year and are presented in the less than one-year category. All estimated cash payments are net of estimated future premiums on policies currently in-force net of future policyholder dividends payable. The participating policyholders share obligation included in other policyholder funds and the timing and amount of the ultimate participating policyholder obligation is subject to significant uncertainty and the amount of the participating policyholder obligation is based upon a long-term projection of the performance of the participating policy block.

(2) Includes case reserves for reported claims and reserves for IBNR with the timing of future payments based on our historical payment patterns. The timing of these payments may vary significantly from the pattern shown in the preceding table. The ultimate losses may vary materially from the recorded amounts, which are our best estimates.

(3) Reflects estimated future claim payments for claims incurred based on mortality and morbidity assumptions that are consistent with historical claims experience. These are not discounted with interest and will exceed the liabilities recorded in reserves for future claim payment, which are discounted with interest. Due to the significance of the assumptions used, the amounts presented could materially differ from actual payments.

(4) Estimated payments through continuing operations for benefit obligations of the non-qualified defined benefit pension plan. A liability has been established for the full amount of benefits accrued.

(5) The estimated payments due by period for notes payable reflect the contractual maturities of principal for amounts borrowed by real estate joint ventures and collateralized by real-estate owned by the respective entity. American National s liability is limited to its investment in the respective joint venture. See Note 6, Real Estate and Other Investments, of the Notes to the Consolidated Financial Statements for additional details.

Off-Balance Sheet Arrangements

We have off-balance sheet arrangements relating to a third-party marketing operation s bank loans as discussed in Note 19, Commitments and Contingencies, of the Notes to the Consolidated Financial Statements. We could be exposed to a liability for these loans, which are supported by the cash value of the underlying insurance contracts. The cash value of the life insurance policies is designed to always equal or exceed the balance of the loans. Accordingly, management does not foresee any loss related to these arrangements.

Related-Party Transactions

We have various agency, consulting and service arrangements with individuals and entities considered to be related parties. Each of these arrangements has been reviewed and approved by our Audit Committee, which retains final decision-making authority for these transactions. The amounts involved, both individually and in the aggregate, with these arrangements are not material to any segment or to our overall operations. For additional details see Note 20, Related Party Transactions, of the Notes to the Consolidated Financial Statements.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our investments and some of our products are subject to market risks associated with changes in interest rates, credit spreads, issuer defaults and equity prices or market indices. Adverse changes due to these market risks may occur due to changes in market liquidity or to changes in market perceptions of credit worthiness or risk tolerance among other factors.

We emphasize prudent risk management throughout all our operations. Our enterprise risk management procedures help us to identify, prioritize and manage various risks including market risk. Under the leadership of our Board of Directors and Corporate Risk Officer, we have instituted a framework based on the principles of enterprise risk management to provide reasonable assurance regarding the achievement of our strategic objectives. Related activities include:

- Identifying evolving and potential risks and events that may affect us;
- managing risks within our risk profile;
- appropriate escalation of risks and disclosure of any risk limit breaches within the enterprise, along with the correction method if appropriate;
- tracking actual risk levels against predetermined thresholds; and
- monitoring of capital adequacy.

We expect ongoing enterprise risk management efforts will expand the management tools used to ensure an efficient allocation of capital and enhance the measurement of possible diversification benefits across business segments and risk classes.

A key component of our risk management program is our ALM Committee. The ALM Committee monitors the level of our risk exposure in managing our assets and liabilities to attain the desired risk-return profile for our diverse mix of assets and liabilities and their resultant cash flows. This process includes maintaining adequate reserves, monitoring claims and surrender experience, managing interest rate spreads, evaluation of alternate investment strategies and protecting against disintermediation risk for life insurance and annuity products.

As a part of the ALM process, we have asset portfolios for each major line of business, which represent the investment strategies used to fund liabilities within acceptable levels of risk. We monitor these strategies through regular review of portfolio metrics, such as effective duration, yield curve sensitivity, convexity and liquidity. In executing these ALM strategies, we regularly reevaluate the estimates used in determining the approximate amounts and timing of payments to or on behalf of policyholders for insurance liabilities. Many of these estimates are inherently subjective and could impact our ability to achieve our ALM goals and objectives. Our Finance Committee also reviews the risks associated with evaluation of alternate investment strategies and the specific investments made to support our business and for consistency with our overall investment strategy.

Interest Rate Risk

Interest rate risk is the risk that the value of our interest sensitive assets or liabilities will change with changes in market interest rates. The fair market value of fixed maturity securities is inversely related to changes in market interest rates. As interest rates fall, the cash flow from the interest coupon and dividend streams of existing fixed rate investments become more valuable and thus, market values of fixed maturity securities rise. As interest rates rise, the reverse occurs and the market value of fixed maturity securities falls.

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The carrying values of our investment in fixed maturity securities, which comprise 64.1% of our portfolio, are summarized below (in thousands):

	December 31,			
	2016		2015	
	Amount	Percent	Amount	Percent
Bonds held-to-maturity	$ 7,251,385	55.5%	$ 7,609,420	58.1 %
Bonds available-for-sale	5,803,276	44.5	5,483,916	41.9
Net unrealized gains on available-for-sale bonds	134,292	2.3	56,085	1.0

The increase in the unrealized gains on available-for-sale bonds was primarily the result of a decrease in unrealized losses on corporate debt securities. Information regarding our unrealized gains or losses is disclosed in Note 4, Investments in Securities, of the Notes to the Consolidated Financial Statements. Our exposure to cash flow changes is discussed further in the Liquidity and Capital Resources section of the MD&A.

Our mortgage loans also have interest rate risk. As of December 31, 2016, these mortgage loans have fixed rates ranging from 4.0% to 10.0%. Most of the mortgage loan contracts require periodic payments of both principal and interest, and have amortization periods of three to 30 years. Many of our mortgage loans contain prepayment restrictions or fees or both that reduce the risk of payment before maturity or compensate us for all or a portion of the investment income lost through early payment of the loan principal.

Rising interest rates can cause increases in policy loans associated with life insurance policies and surrenders relating to life insurance or annuities. Policyholders may move their assets into new products offering higher rates if there were sudden or significant changes in interest rates. We may have to sell assets earlier than anticipated to pay for these withdrawals. Our life insurance and annuity product designs reduce the financial impact of early surrenders through the use of restriction on withdrawal, surrender charges and market value adjustment features. ALM guidelines, including duration targets and asset allocation tolerances, help ensure this risk is managed within the constraints of established criteria. Consistent monitoring of and periodic changes to our product pricing help us to better match the duration of assets and liabilities.

Falling interest rates can have an adverse impact on our asset accumulation investment products, such as our fixed deferred annuity business. We aim to manage interest margins, which are the differences between yields on investments supporting our liabilities and amounts credited to policyholder account balances. As investment portfolio yields decline, we can reduce crediting rates on products, to a limit defined by contractual minimum guarantees. Due to these contractual minimums, declines in interest rates can ultimately impact the profitability of this business. As of December 31, 2016, of our $9.2 billion in deferred annuities, $87.8 million have guaranteed minimum rates greater than or equal to 3.5% with no guarantees greater than 4.5%.

The profitability of some of our products could be adversely affected by low interest rates. Assuming investment yields remain at 2016 levels, the impact of investing in that lower interest rate environment would have a minimal impact in 2017 and could reduce profit by $1.6 million in 2018 and $3.1 million in 2019. In projecting this impact, we modeled projected crediting rates, considering interest spread targets and crediting rate floors.

Interest Rate sensitivity analysis: The table below shows the estimated change in pre-tax market values of our investments in fixed maturity securities caused by instantaneous, one time parallel shifts in the corresponding year-end U.S. Treasury yield curves of +/- 100bps and +/- 50bps (in thousands):

	Increase (Decrease) in Market Value Given an Interest rate Increase (Decrease) of X Basis Points			
	(100)	(50)	50	100
December 31, 2016	$ 610,421	$ 301,819	$ (297,039)	$ (587,945)
December 31, 2015	$ 652,006	$ 321,689	$ (315,117)	$ (622,712)

These calculations hold all other variables influencing the values of fixed maturity securities constant and would not fully reflect any prepayment to the portfolio, changes in corporate spreads or non-parallel changes in interest rates for different maturities or credit quality. Actual results may differ materially from these amounts due to the assumptions and estimates used in calculating the scenarios.

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Credit Risk

We are exposed to credit risk, which is the uncertainty of whether a counterparty will honor its obligation under the terms of a security, loan or contract including reinsurance agreements. To help manage credit risk, we have an Investment Plan approved by our Board of Directors. This plan provides issuer and geographic concentration limits, investment size limits and other applicable parameters such as mortgage loan-to-value guidelines. Investment activity, including the setting of investment policies and defining acceptable risk levels, is subject to review by our Finance Committee and Management Risk Committee.

We are also exposed to the risk created by changes in market prices and cash flows associated with fluctuations in the credit spread or the market s perception of the relative risk and reward to hold fixed maturity securities of borrowers with different credit characteristics or credit ratings. Credit spread widening will reduce the fair value of our existing investment portfolio and will increase investment income on new purchases. Credit spread tightening would have the opposite effect. Information regarding the credit quality of our fixed maturity securities can be found in the Investments section of the MD&A.

We are subject to credit risk associated with our reinsurance agreements. While we believe our reinsurers are reputable and have the financial strength to meet their obligations to us, reinsurance does not eliminate our liability to pay our policyholders, and we remain primarily liable to our policyholders for the risks we insure. We regularly monitor the financial strength of our reinsurers and the levels of concentration to individual reinsurers to verify they meet established thresholds.

The Company s use of derivative instruments exposes it to credit risk in the event of non-performance by counterparties. The Company has adopted a policy of only dealing with counterparties we believe are credit worthy and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. The non-performance risk is the net counterparty exposure based on the fair value of the open contracts, less collateral held. For additional information regarding counterparties used and collateral received, see Note 7, Derivative Instruments, of the Notes to the Consolidated Financial Statements.

Equity Risk

Equity risk is the risk that we will incur realized or unrealized losses due to changes in the overall equity investment markets or specific investments within our portfolio. At December 31, 2016, we held approximately $1.5 billion of equity investments, which are subject to equity risk. Our exposure to the equity markets is managed by sector and individual security and is intended to track the Standard & Poor s 500 Index (S&P 500) with minor variations. We mitigate our equity risk by diversification of the investment portfolio.

We also have equity risk associated with the equity-indexed life and annuity products we market. We have entered into derivative transactions, primarily over-the-counter equity call options, to hedge our exposure to equity-index changes.

Changes in Accounting Principles

Refer to Note 3, Recently Issued Accounting Pronouncements, of the Notes to the Consolidated Financial Statements for a discussion of recently issued accounting pronouncements not yet adopted.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

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, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2016. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedules I to V. These consolidated financial statements and financial statement schedules are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American National Insurance Company and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 10, 2017, expressed an adverse opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP

Houston, Texas

March 10, 2017

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

American National Insurance Company:

We have audited American National Insurance Company s (the Company) internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management s Annual Report on Internal Control over Financial Reporting.* Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company s annual or interim financial statements will not be prevented or detected on a timely basis. Material weaknesses related to ineffective internal controls over the measurement and presentation of deferred income taxes, the recognition and disclosure of the amount of collateral under equity option derivative arrangements and the information and communication controls over these areas have been identified and included in management s assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial position of American National Insurance Company and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2016, and the related financial statement schedules I to V. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2016 consolidated financial statements, and this report does not affect our report dated March 10, 2017, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, because of the effect of the aforementioned material weaknesses on the achievement of the objectives of the control criteria, American National Insurance Company has not maintained effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We do not express an opinion or any other form of assurance on management s statements referring to corrective actions taken after December 31, 2016, relative to the aforementioned material weaknesses in internal control over financial reporting.

/s/ KPMG LLP

Houston, Texas

March 10, 2017

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AMERICAN NATIONAL INSURANCE COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands, except share data)

	December 31, 2016	December 31, 2015 (As Revised)
ASSETS		
Fixed maturity, bonds held-to-maturity, at amortized cost (Fair value $7,496,692 and $7,755,553)	$ 7,251,385	$ 7,609,420
Fixed maturity, bonds available-for-sale, at fair value (Amortized cost $5,668,984 and $5,427,831)	5,803,276	5,483,916
Equity securities, at fair value (Cost $732,433 and $810,826)	1,541,676	1,514,979
Mortgage loans on real estate, net of allowance	4,348,046	3,483,280
Policy loans	384,376	407,491
Investment real estate, net of accumulated depreciation of $259,578 and $212,139	593,417	581,255
Short-term investments	192,226	460,612
Other invested assets	113,550	71,943
Total investments	20,227,952	19,612,896
Cash and cash equivalents	289,338	310,930
Investments in unconsolidated affiliates	490,476	379,348
Accrued investment income	180,323	177,474
Reinsurance recoverables	401,709	413,881
Prepaid reinsurance premiums	63,026	77,907
Premiums due and other receivables	296,930	285,446
Deferred policy acquisition costs	1,294,443	1,324,669
Property and equipment, net	116,028	120,680
Current tax receivable	61,423	4,091
Other assets	169,962	140,788
Separate account assets	941,612	918,446
Total assets	**$ 24,533,222**	**$ 23,766,556**
LIABILITIES		
Future policy benefits		
Life	$ 2,939,308	$ 2,853,962
Annuity	1,277,220	1,113,057
Accident and health	60,308	65,034
Policyholders account balances	11,068,775	10,829,173

Policy and contract claims	1,303,925	1,280,011
Unearned premium reserve	823,938	812,977
Other policyholder funds	318,620	305,836
Liability for retirement benefits	152,496	207,635
Notes payable	136,080	128,436
Deferred tax liabilities, net	367,487	219,295
Other liabilities	481,958	570,223
Separate account liabilities	941,612	918,446
Total liabilities	**19,871,727**	**19,304,085**
EQUITY		
American National stockholders equity:		
Common stock, $1.00 par value, Authorized 50,000,000, Issued 30,832,449 and 30,832,449 Outstanding 26,914,516 and 26,894,456 shares	30,832	30,832
Additional paid-in capital	16,406	13,689
Accumulated other comprehensive income	455,899	352,620
Retained earnings	4,250,818	4,157,184
Treasury stock, at cost	(101,777)	(102,043)
Total American National stockholders equity	4,652,178	4,452,282
Noncontrolling interest	9,317	10,189
Total equity	**4,661,495**	**4,462,471**
Total liabilities and equity	**$ 24,533,222**	**$ 23,766,556**

See accompanying notes to the consolidated financial statements.

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AMERICAN NATIONAL INSURANCE COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)

	Years ended December 31, 2016	2015	2014
PREMIUMS AND OTHER REVENUE			
Premiums			
Life	$ 318,953	$ 305,350	$ 307,771
Annuity	248,714	183,125	190,357
Accident and health	175,589	196,777	216,868
Property and casualty	1,253,392	1,153,267	1,100,975
Other policy revenues	306,880	250,265	224,254
Net investment income	860,235	834,831	932,858
Net realized investment gains	46,607	87,385	48,062
Other-than-temporary impairments	(17,667)	(27,942)	(6,640)
Other income	35,248	34,397	36,085
Total premiums and other revenues	3,227,951	3,017,455	3,050,590
BENEFITS, LOSSES AND EXPENSES			
Policyholder benefits			
Life	416,467	386,785	351,271
Annuity	294,917	230,221	234,173
Claims incurred			
Accident and health	131,828	146,805	144,799
Property and casualty	883,219	776,562	745,540
Interest credited to policyholders account balances	331,770	293,464	353,492
Commissions for acquiring and servicing policies	465,962	425,338	397,126
Other operating expenses	503,459	501,377	485,865
Change in deferred policy acquisition costs	1,152	(11,785)	9,578
Total benefits, losses and expenses	3,028,774	2,748,767	2,721,844
Income before federal income tax and equity in earnings of unconsolidated affiliates	199,177	268,688	328,746
Less: Provision (benefit) for federal income taxes			
Current	(15,376)	93,979	77,547
Deferred	89,086	9,741	19,067
Total provision for federal income taxes	73,710	103,720	96,614

Equity in earnings of unconsolidated affiliates		57,200		77,408		14,694
Net income		182,667		242,376		246,826
Less**:** Net income (loss) attributable to noncontrolling interest, net of tax		1,664		(612)		1,491
Net income attributable to American National	**$**	**181,003**	**$**	**242,988**	**$**	**245,335**
Amounts available to American National common stockholders						
Earnings per share						
Basic		6.73	$	9.04	$	9.15
Diluted		6.71		9.02		9.11
Cash dividends to common stockholders		3.26		3.14		3.08
Weighted average common shares outstanding		26,908,570		26,876,522		26,802,841
Weighted average common shares outstanding and dilutive potential common shares		26,967,072		26,950,066		26,918,670

See accompanying notes to the consolidated financial statements.

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AMERICAN NATIONAL INSURANCE COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Years ended December 31, 2016	2015	2014
Net income	$ 182,667	$ 242,376	$ 246,826
Other comprehensive income (loss), net of tax			
Change in net unrealized gains (losses) on securities	93,704	(114,717)	110,214
Foreign currency transaction and translation adjustments	289	(1,630)	(954)
Defined benefit pension plan adjustment	9,286	(21,815)	(32,190)
Other comprehensive income (loss), net of tax	103,279	(138,162)	77,070
Total comprehensive income	**285,946**	**104,214**	**323,896**
Less: Comprehensive income (loss) attributable to noncontrolling interest	1,664	(612)	1,491
Total comprehensive income attributable to American National	**$ 284,282**	**$ 104,826**	**$ 322,405**

AMERICAN NATIONAL INSURANCE COMPANY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands)

	Years ended December 31, 2016	2015	2014
Common Stock			
Balance at beginning and end of the period	$ 30,832	$ 30,832	$ 30,832
Additional Paid-In Capital			
Balance as of January 1,	13,689	9,248	4,650
Reissuance of treasury shares	1,825	2,129	1,635
Income tax effect from restricted stock arrangement	49	1,165	
Amortization of restricted stock	843	1,147	2,963
Balance at end of the period	16,406	13,689	9,248
Accumulated Other Comprehensive Income			

Balance as of January 1,	352,620	490,782	413,712
Other comprehensive income (loss)	103,279	(138,162)	77,070
Balance at end of the period	455,899	352,620	490,782
Retained Earnings			
Balance as of January 1,	4,157,184	3,998,642	3,836,112
Net income attributable to American National	181,003	242,988	245,335
Cash dividends to common stockholders	(87,741)	(84,446)	(82,805)
Cumulative effect of accounting change	372		
Balance at end of the period	4,250,818	4,157,184	3,998,642
Treasury Stock			
Balance as of January 1,	(102,043)	(101,941)	(97,441)
Reissuance (purchase) of treasury shares	266	(102)	(4,500)
Balance at end of the period	(101,777)	(102,043)	(101,941)
Noncontrolling Interest			
Balance as of January 1,	10,189	12,384	12,757
Contributions		1,859	981
Distributions	(2,536)	(3,442)	(2,845)
Net income (loss) attributable to noncontrolling interest	1,664	(612)	1,491
Balance at end of the period	9,317	10,189	12,384
Total Equity	**$ 4,661,495**	**$ 4,462,471**	**$ 4,439,947**

See accompanying notes to the consolidated financial statements.

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AMERICAN NATIONAL INSURANCE COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Years ended December 31, 2016	2015 (As Revised)	2014 (As Revised)
OPERATING ACTIVITIES			
Net income	$ 182,667	$ 242,376	$ 246,826
Adjustments to reconcile net income to net cash provided by operating activities			
Net realized investment gains	(46,607)	(87,385)	(48,062)
Other-than-temporary impairments	17,667	27,942	6,640
Amortization (accretion) of premiums, discounts and loan origination fees	(2,926)	2,701	7,294
Net capitalized interest on policy loans and mortgage loans	(32,813)	(31,360)	(32,122)
Depreciation	45,278	40,573	38,414
Interest credited to policyholders account balances	331,770	293,464	353,492
Charges to policyholders account balances	(306,880)	(250,265)	(224,254)
Deferred federal income tax expense	89,086	9,741	19,067
Equity in earnings of unconsolidated affiliates	(57,200)	(77,408)	(14,694)
Distributions from equity method investments	1,096	819	5,186
Changes in			
Policyholder liabilities	282,159	259,645	200,718
Deferred policy acquisition costs	1,152	(11,785)	9,578
Reinsurance recoverables	12,172	14,773	(13,911)
Premiums due and other receivables	(11,691)	(5,512)	(1,184)
Prepaid reinsurance premiums	14,881	(21,887)	1,850
Accrued investment income	(2,849)	8,470	8,887
Current tax receivable/payable	(57,332)	4,578	9,838
Liability for retirement benefits	(53,979)	(31,435)	(19,084)
Other, net	(4,074)	(8,587)	2,306
Net cash provided by operating activities	**401,577**	**379,458**	**556,785**
INVESTING ACTIVITIES			
Proceeds from sale/maturity/prepayment of			
Held-to-maturity securities	491,478	1,150,650	661,125
Available-for-sale securities	459,511	574,391	910,691
Investment real estate	12,833	19,788	63,030
Mortgage loans	587,355	836,443	606,738

Policy loans	59,920	56,773	55,542
Other invested assets	30,743	71,564	40,882
Disposals of property and equipment	16,240	4,681	11,269
Distributions from unconsolidated affiliates	55,311	130,742	41,779
Payment for the purchase/origination of			
Held-to-maturity securities	(156,453)	(525,950)	(439,422)
Available-for-sale securities	(683,128)	(1,343,795)	(1,044,602)
Investment real estate	(45,631)	(106,255)	(51,699)
Mortgage loans	(1,428,471)	(962,267)	(668,073)
Policy loans	(25,480)	(26,459)	(29,093)
Other invested assets	(67,571)	(38,101)	(27,705)
Additions to property and equipment	(47,301)	(32,596)	(31,951)
Contributions to unconsolidated affiliates	(135,208)	(132,004)	(12,560)
Change in short-term investments	268,386	(29,612)	64,386
Change in collateral held for derivatives	24,349	(65,160)	22,724
Other, net	27,869	12,702	15,997
Net cash provided by (used in) investing activities	**(555,248)**	**(404,465)**	**189,058**
FINANCING ACTIVITIES			
Policyholders account deposits	1,528,107	1,405,350	1,002,420
Policyholders account withdrawals	(1,313,394)	(1,400,661)	(1,532,023)
Change in notes payable	7,643	20,259	(5,672)
Dividends to stockholders	(87,741)	(84,446)	(82,805)
Payments to noncontrolling interest	(2,536)	(1,583)	(1,864)
Net cash provided by (used in) financing activities	**132,079**	**(61,081)**	**(619,944)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,592)	(86,088)	125,899
Beginning of the period	310,930	397,018	271,119
End of the period	**$ 289,338**	**$ 310,930**	**$ 397,018**

See accompanying notes to the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Nature of Operations

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

Note 2 Summary of Significant Accounting Policies and Practices

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

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

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Note 2 Summary of Significant Accounting Policies and Practices (Continued)

Revision to Previously Reported Amounts

Immaterial Correction of an Error. During the fourth quarter of 2016, the Company revised previously reported amounts to include cash held in a bank custody account representing collateral provided to us by third parties for equity-option derivative transactions. For details, see Note 7, Derivative Instruments, of the Notes to the Consolidated Financial Statements. In accordance with Staff Accounting Bulletin (SAB) No. 99, *Materiality,* and SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, management evaluated the materiality of the error from qualitative and quantitative perspectives, and concluded the error was immaterial to the current and prior periods. The correction of the immaterial error revised the consolidated statements of financial position and statements of cash flows only. There was no revision to the consolidated statements of operations, comprehensive income or changes in equity. The Company revised its historical financial statements for fiscal 2015 and fiscal 2014 herein, and will revise the quarters within fiscal 2016, when they are published in future filings.

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

	As Reported	As Revised	Effect of Change
As of December 31, 2015			
Balance Sheet			
Other invested assets	$ 173,042	$ 71,943	$ (101,099)
Cash and cash equivalents	190,237	310,930	120,693
Other liabilities	550,629	570,223	19,594
Total assets	23,746,962	23,766,556	19,594
Total liabilities	19,284,491	19,304,085	19,594
Statement of Cash Flow			
Change in collateral held for derivatives		(65,160)	(65,160)
Other, net	14,412	12,702	(1,710)
Net cash used in investing activities	(337,595)	(404,465)	(66,870)
Net decrease in cash and cash equivalents	(19,218)	(86,088)	(66,870)
Cash at beginning of period	209,455	397,018	187,563
Cash at end of period	190,237	310,930	120,693
As of December 31, 2014			
Balance Sheet			
Other invested assets	$ 220,255	$ 53,996	$ (166,259)
Cash and cash equivalents	209,455	397,018	187,563
Other liabilities	550,843	572,147	21,304
Total assets	23,544,532	23,565,836	21,304

Total liabilities	19,104,585	19,125,889	21,304
Statement of Cash Flow			
Change in collateral held for derivatives		22,724	22,724
Other, net	4,331	15,997	11,666
Net cash provided by investing activities	154,668	189,058	34,390
Net increase in cash and cash equivalents	91,509	125,899	34,390
Cash at beginning of period	117,946	271,119	153,173
Cash at end of period	209,455	397,018	187,563

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Note 2 Summary of Significant Accounting Policies and Practices (Continued)

Investments

Investment securities Bonds classified as held-to-maturity are carried at amortized cost. Bonds classified as available-for-sale are carried at fair value. Equity securities are classified as available-for-sale and carried at fair value. After-tax net unrealized gains or losses on available-for-sale securities are reflected in equity as a component of Accumulated Other Comprehensive Income (AOCI).

Mortgage loans on real estate are stated at unpaid principal balance, adjusted for any unamortized discount, deferred expenses, and allowances. Accretion of discounts is recorded using the effective yield method. Interest income, prepayment fees and accretion of discounts and origination fees are reported in Net investment income in the consolidated statements of operations. Interest income earned on impaired and non-impaired loans is accrued on the principal amount of the loan based on contractual interest rate. However, interest ceases to accrue for loans on which interest is more than 90 days past due, when the collection of interest is not probable or when a loan is in foreclosure. Income on past due loans is reported on a cash basis. When a loan becomes current, it is placed back into accrual status. Cash receipts on impaired loans are recorded as a reduction of principal, interest income, expense reimbursement or other manner in accordance with the loan agreement. Gains and losses from the sale of loans and changes in allowances are reported in Net realized investment gains in the consolidated statements of operations.

Each mortgage loan is evaluated quarterly and placed in a watchlist if events occur or circumstances exist that could indicate that American National will be unable to collect all amounts due according to the contractual terms. Additionally, loans with estimated collateral value less than their balance and loans with characteristics indicative of higher than normal credit risks are reviewed quarterly. All loans in the watchlist are analyzed individually for impairment. If a loan is concluded to be fully collectible, no loss allowance is recorded. Loans are considered impaired when, based upon current information and events, it is probable that all amounts due under the contractual terms of the loan will be uncollectible. A specific allowance for loan losses is established for the excess carrying value of the loan over either: (i) the present value of expected future cash flows discounted at the loan s original effective interest rate, or (ii) the estimated fair value of the underlying collateral if the loan is in the process of foreclosure or otherwise collateral dependent. Allowances are also established on groups of loans with similar characteristics, such as property types, if based on experience, it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The allowance is reviewed quarterly to determine if it is adequate, or if a recovery of the asset is assured and the allowance can be reduced.

Management believes the recorded allowance is adequate and is the best estimate of probable loan losses, including losses incurred at the reporting date but not identified by a specific loan. The allowance is based on historical loan loss experience, known and inherent risks in the portfolio, adverse situations affecting the borrower s ability to repay, the estimated value of the underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. Loans are charged off as uncollectible only when the loan is forgiven by a legal agreement. Prior to charging off a loan, an allowance is recorded based on the estimated recoverable amount. Upon forgiveness, both the allowance and the loan balance are reduced which results in no further gain or loss.

Policy loans are carried at cost, which approximates fair value.

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Note 2 Summary of Significant Accounting Policies and Practices (Continued)

Investment real estate including related improvements, are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the asset (typically 15 to 50 years). Rental income is recognized on a straight-line basis over the term of the respective lease. American National classifies a property as held-for-sale if it commits to a plan to sell a property within one year and actively markets the property in its current condition for a price that is reasonable in comparison to its estimated fair value. Real estate held-for-sale is stated at the lower of depreciated cost or estimated fair value less expected disposition costs, and is not depreciated while it is classified as held-for-sale. American National periodically reviews its investment real estate for impairment and tests properties for recoverability whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable and the carrying value of the property exceeds its estimated fair value. Properties whose carrying values are greater than their undiscounted cash flows are written down to their estimated fair value, with the impairment loss included in Realized investment gains (losses) in the consolidated statements of operations. Impairment losses are based upon the estimated fair value of real estate, which is generally computed using the present value of expected future cash flows from the real estate discounted at a rate commensurate with the underlying risks as well as other appraisal methods. Real estate acquired upon foreclosure is recorded at the lower of its cost, or its estimated fair value at the date of foreclosure.

Real Estate Joint Ventures and Other Limited Partnership Interests in which the Company has more than a minor interest or influence over the investee s operations, but it does not have a controlling interest and is not the primary beneficiary, are accounted for using the equity method. These investments are reported as Investments in unconsolidated affiliates in the consolidated statements of financial position. For certain joint ventures, American National records its share of earnings using a lag methodology of one to three months when timely financial information is not available and the contractual right does not exist to receive such financial information. In addition to the investees impairment analysis of its underlying investments, American National routinely evaluates its investments in those investees for impairments. American National considers financial and other information provided by the investee, other known information and inherent risks in the underlying investments, as well as future capital commitments, in determining whether impairment has occurred. When an impairment is deemed to have occurred at the joint venture level, American National recognizes its share within Equity in earnings (losses) of unconsolidated affiliates to record the investment at its fair value. When an impairment results from American National s separate analysis, an adjustment is made through Net realized investment gains to record the investment at its fair value.

Short-term investments comprised of commercial paper, are carried at amortized cost, which approximates fair value.

Other invested assets comprised primarily of equity-indexed options, which are carried at fair value and may be collateralized by counterparties; such collateral is restricted to the Company s use. Other invested assets also include tax credit partnerships, Certified Capital Companies (CAPCO) investments, mineral rights and limited liability interests, are carried at cost, less allowance for depletion, where applicable.

Impairments are evaluated quarterly and where management believes that the carrying value will not be realized, an other-than-temporary impairment (OTTI) loss is recorded.

All fixed maturity securities with unrealized losses are assessed to determine if the creditworthiness of any of those securities has deteriorated to a point where its carrying value will not be realized at maturity. For fixed maturity securities at December 31, 2016, the unrealized losses on fixed maturity securities that were not other-than-temporarily impaired were the result of credit spread widening. There were no delinquent coupon payments attributed to these securities at December 31, 2016.

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Note 2 Summary of Significant Accounting Policies and Practices (Continued)

For all fixed maturity securities in unrealized loss positions which American National does not intend to sell and for which it is not more-likely-than-not that it will be required to sell before its anticipated recovery, American National assesses whether the amortized cost basis of securities will be recovered by comparing the net present value of the expected cash flows from those securities with its amortized cost basis. Management estimates the expected cash flows using historical experience information as well as market observable data, such as industry analyst reports and forecasts, sector credit ratings and other data relevant to the collectability of a security. The net present value of the expected cash flows from fixed maturity securities is calculated by discounting management s best estimate of expected cash flows at the effective interest rate implicit in the fixed maturity security when acquired. If the net present value of the expected cash flows is less than the amortized cost, an OTTI has occurred in the form of a credit loss. The credit loss is recognized in earnings in the amount of excess amortized cost over the net present value of the expected cash flows. If the fair value is less than the net present value of its expected cash flows at the impairment measurement date, a non-credit loss exists which is recorded in other comprehensive income (loss) for the difference between the fair value and the net present value of the expected cash flows.

After the recognition of an OTTI, fixed maturity securities are accounted for as if they had been purchased on the OTTI measurement date, with a cost basis equal to their previous amortized cost less the related OTTI losses recognized in earnings. The new cost basis of an other-than-temporarily impaired security is not adjusted for subsequent increases in estimated fair value. Should there be a significant increase in the estimate of cash flows expected to be collected from previously impaired securities, the increase would be accounted for prospectively by accreting it as interest income over its remaining life.

American National evaluates quarterly all equity securities in unrealized loss positions and recognizes an OTTI loss on those where a market price recovery is not expected in a reasonable period of time. All equity securities with unrealized losses are also evaluated for credit quality. OTTI is recognized if management believes the carrying value of securities will not be realized, regardless of the length of time that they have had an unrealized loss.

Derivative instruments are purchased to hedge against future interest rate increases in liabilities indexed to market rates, and are recorded in the consolidated statements of financial position at fair value net of collateral provided by counterparties. The change in fair value of derivative assets and liabilities is reported in the consolidated statements of operations as Net investment income and Interest credited to policyholder s account balances, respectively. American National does not apply hedge accounting treatment to its derivative instruments. The Company uses derivative instruments to hedge our business risk and holds collateral to offset exposure from its counterparties. Unrestricted collateral that supports credit risk is reported in the consolidated statements of financial position as an offset to Other invested assets with an associated payable to Other liabilities for excess collateral. Restricted collateral is recorded as Other liabilities due to the uncertainty of the collateral s availability to offset exposure losses.

Cash and cash equivalents include cash on-hand and in banks, as well as amounts invested in money market funds and are reported as Cash and cash equivalents in the consolidated statements of financial position.

Property and equipment consist of buildings occupied by American National, data processing equipment, software, furniture and equipment, and automobiles which are carried at cost, less accumulated depreciation. Depreciation is calculated using straight-line and accelerated methods over the estimated useful lives of the assets (typically 3 to 50 years).

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Note 2 Summary of Significant Accounting Policies and Practices (Continued)

Insurance specific assets and liabilities

Deferred policy acquisition costs (DAC) are capitalized costs related directly to the successful acquisition of new or renewal insurance contracts. Significant costs are incurred to acquire insurance and annuity contracts, including commissions and certain underwriting, policy issuance and processing expenses.

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

DAC on universal life, limited-pay and investment-type contracts is amortized as a level percentage of the present value of anticipated gross profits from investment yields, mortality, and surrender charges. The effect of the realization of unrealized gains (losses) on DAC is recognized within AOCI in the consolidated statements of financial position as of the reporting date. A change in interest rates could have a significant impact on DAC calculated for these contracts.

DAC associated with property and casualty business is amortized over the coverage period of the related policies, in relation to premium earned.

For short-duration and long-duration contracts, DAC is grouped consistent with the manner in which insurance contracts are acquired, serviced and measured for profitability and is reviewed for recoverability based on the profitability of the underlying insurance contracts. Investment income is not anticipated in assessing the recoverability of DAC for short-duration contracts.

Liabilities for future policy benefits for traditional products 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 policies were issued. Estimates are based on historical experience, adjusted 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.

Policyholders account balances represent the contract value that has accrued to the benefit of the policyholders related to universal-life and investments-type contracts. These are generally equal to the accumulated deposits, plus interest credited, reduced by withdrawals, payouts, and accumulated policyholder assessments.

Reserves for claims and claim adjustment expenses (CAE) are established to provide for the estimated costs of paying claims. These reserves include estimates for both case reserves and incurred but not reported (IBNR) claim reserves. Case reserves include the liability for reported but unpaid claims. IBNR reserves include a provision for potential development on case reserves, losses on claims currently closed which may reopen in the future, as well as incurred but not reported claims. These reserves also include an estimate of the expense associated with settling claims, including legal and other fees and the general expenses of administering the claims adjustment process.

Reinsurance Reinsurance recoverables are estimated amounts due to American National from reinsurers related to paid and unpaid ceded claims and CAE and are presented net of a reserve for collectability. Recoveries of gross ultimate losses are estimated by a review of individual large claims and the ceded portion of IBNR using assumed distribution of loss by percentage retained. The most significant assumption is the average size of the individual losses for those claims that have occurred but have not yet been reported. The ultimate amount of the reinsurance ceded recoverable is unknown until all losses settle.

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Note 2 Summary of Significant Accounting Policies and Practices (Continued)

Separate account assets and liabilities

Separate account assets and liabilities are funds intended to meet the investment objectives of contract holders who bear the investment risk. Investment income and investment gains and losses from these separate funds accrue to the benefit of the contract holders. Separate accounts are established in conformity with insurance laws and are not chargeable with liabilities that arise from any other business of American National. American National reports separately, as assets and liabilities, investments held in separate accounts and liabilities of the separate accounts if (i) such separate accounts are legally recognized; (ii) assets supporting the contract liabilities are legally insulated from American National s general account liabilities; (iii) investments are directed by the contract holder; and (iv) all investment performance, net of contract fees and assessments, is passed through to the contract holder. The assets of these accounts are carried at fair 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 the consolidated financial statements.

Premiums, benefits, claims incurred and expenses

Traditional ordinary life 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 term of the insurance contracts.

Annuity premiums received on limited-pay and supplemental annuity contracts involving a significant life contingency are recognized as revenue when due. Deferred annuity premiums are recorded as deposits rather than recognized as revenue. Revenues from deferred annuity contracts are principally surrender charges and, in the case of variable annuities, administrative fees assessed to contractholders.

Universal life and single premium whole life revenues represent amounts assessed to policyholders including mortality charges, surrender charges actually paid and earned policy service fees. Amounts included in expenses are benefits in excess of account balances returned to policyholders.

Property and casualty premiums are recognized as revenue proportionately over the contract period, net of reinsurance ceded. Claims incurred consist of claims and CAE paid and the change in reserves, net of reinsurance received and recoverable.

Participating insurance policies

Participating business comprised approximately 6.1% of the life insurance in-force at December 31, 2016 and 18.2% of life premiums in 2016. Of the total participating business, 77.7% 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.

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Note 2 Summary of Significant Accounting Policies and Practices (Continued)

Federal income taxes

American National files a consolidated life and non-life federal income tax return. Certain subsidiaries that are consolidated for financial reporting are not eligible to be included in the consolidated federal income tax return; accordingly, they file separate returns.

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

American National recognizes tax benefits on uncertain tax positions if it is more-likely-than-not the position based on its technical merits will be sustained by taxing authorities. American National recognizes the largest benefit that is greater than 50% likely of being ultimately realized upon settlement. Tax benefits not meeting the more-likely-than-not threshold, if applicable, are included with Other liabilities in the consolidated statements of financial position.

Interest and penalties assessed, if applicable, are classified as current federal income taxes in the consolidated statements of operations.

Pension and postretirement benefit plans

Pension and postretirement benefit obligations and costs for our frozen benefit plans are estimated using assumptions including demographic factors such as retirement age and mortality.

American National uses a discount rate to determine the present value of future benefits on the measurement date. The guideline for setting this rate is a high-quality long-term corporate bond rate. To determine the expected long-term rate of return on plan assets, a building-block method is used. The expected rate of return on each asset is broken down into inflation, the real risk-free rate of return (i.e., the long-term estimate of future returns on default-free U.S. government securities), and the risk premium for each asset class (i.e., the expected return in excess of the risk-free rate). Using this approach, the calculated return will fluctuate from year to year; however, it is American National s policy to hold this long-term assumption relatively constant.

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Note 2 Summary of Significant Accounting Policies and Practices (Continued)

Stock-based compensation

Stock Appreciation Rights (SARs) liability and compensation cost is based on the fair value of the grants and are remeasured each reporting period through the settlement date. The fair value of the SAR s is calculated using the Black-Scholes-Merton option-pricing model. The key assumptions used in the model include: the grant date and remeasurement date stock prices, expected life of the SARs and the risk-free rate of return. The compensation liability related to the SAR award is included in Other liabilities in the consolidated statements of financial position.

Restricted Stock (RS) equity and compensation cost is based on the fair value of the underlying stock at grant date. The compensation cost accrued is included in Additional paid-in capital in the consolidated statements of financial position.

Restricted Stock Units (RSU) provides the recipients of the awards the option to settle vested RSUs in either cash or American National common stock. Effective December 31, 2012, American National s Board Compensation Committee modified the settlement provision within the outstanding restricted stock units, which changed the RSU classification from an equity to a liability award. The liability is remeasured each reporting period through the vesting date and is adjusted for changes in fair value. The compensation liability related to the RSUs is included in Other Liabilities in the consolidated statements of financial position.

Litigation contingencies

Existing and potential litigation is reviewed quarterly to determine if any adjustments to liabilities for possible losses are necessary. Reserves for losses are established whenever they are probable and estimable. If no one estimate within the range of possible losses is more probable than any other, a reserve is recorded based on the lowest amount of the range.

Note 3 Recently Issued Accounting Pronouncements

Adoption of New Accounting Standards

In February 2015, the FASB issued guidance amending the consolidation analysis. The guidance modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities. The guidance eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with VIEs. The Company adopted the standard on its required effective date of January 1, 2016. The adoption did not have a material impact to the Company s results of operations or financial position.

In May 2015, the FASB issued guidance to expand the disclosures an insurance entity would provide about its short duration contracts. The disclosure about the liability for unpaid claims and claim adjustment expenses is intended to increase the transparency of significant estimates made in the measuring of those liabilities. It is also intended to provide insight into an insurance entity s ability to underwrite and anticipate costs associated with claims. The Company adopted the standard for the annual period ending December 31, 2016 and the expanded disclosure required is included in Note 12, Liability for Unpaid Claims and Claim Adjustment Expenses, of the Notes to Consolidated Financial Statements. The adoption affected disclosure only and did not impact the Company s results of operations or financial position.

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Note 3 Recently Issued Accounting Pronouncements (Continued)

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

In May 2014, the FASB issued guidance that will supersede most existing revenue recognition requirements in GAAP. Insurance contracts generally are excluded from the scope of the guidance. For those contracts which are impacted, the transaction price is attributed to the underlying performance obligations in the contract and revenue is recognized as the entity satisfies the performance obligations and transfers control of a good or service to the customer. The standard is effective for annual periods and interim periods within those annual periods beginning after December 15, 2017. The Company intends to adopt the standard effective January 1, 2018, which is not expected to be material to the Company s results of operations or financial position.

In January 2016, the FASB issued guidance that will change certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The new guidance requires that equity investments in unconsolidated entities be measured at fair value and that changes in fair value are recognized through earnings. When the fair value option has been elected for financial liabilities, changes in fair value due to instrument-specific credit risk will be recognized separately in other comprehensive income. The guidance also simplifies the impairment assessment of equity investments and eliminates the disclosure requirements for methods and significant assumptions used to estimate fair value of financial instruments that are measured at amortized cost on the statement of financial position. The standard is effective for annual periods and interim periods within those annual periods beginning after December 15, 2017. The Company is currently evaluating the impact of adoption to the Company s results of operations and financial position.

In February 2016, the FASB issued guidance that will require significant changes to the statement of financial position of lessees. With certain limited exceptions, lessees will need to recognize virtually all of their leases on the statement of financial position, by recording a right-of-use asset and a lease liability. Lessor accounting is updated to align with certain changes in the lessee model and the new revenue recognition standard. The standard is effective for annual periods and interim periods within those annual periods beginning after December 15, 2018. The Company is currently evaluating the impact of adoption, which is not expected to be material to the Company s results of operations or financial position.

In June 2016, the FASB issued guidance that will significantly change how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance will replace the current incurred loss approach with an expected loss model for instruments measured at amortized cost. For available-for-sale debt securities, entities will be required to record allowances rather than reduce the carrying amount, as they do under the current other-than-temporary impairment model. The standard is effective for annual periods and interim periods within those annual periods beginning after December 15, 2019. The Company is currently evaluating the impact of adoption to the Company s results of operations and financial position.

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Note 4 Investment in Securities

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

	December 31, 2016			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Fixed maturity securities, bonds held-to-maturity				
U.S. states and political subdivisions	$ 301,994	$ 17,190	$ (102)	$ 319,082
Foreign governments	4,057	659		4,716
Corporate debt securities	6,711,508	253,191	(38,721)	6,925,978
Residential mortgage-backed securities	229,758	14,112	(1,185)	242,685
Collateralized debt securities	1,290	64		1,354
Other debt securities	2,778	99		2,877
Total bonds held-to-maturity	**7,251,385**	**285,315**	**(40,008)**	**7,496,692**
Fixed maturity securities, bonds available-for-sale				
U.S. treasury and government	25,062	594	(16)	25,640
U.S. states and political subdivisions	945,431	21,170	(6,378)	960,223
Foreign governments	5,000	1,567		6,567
Corporate debt securities	4,666,096	145,716	(31,049)	4,780,763
Residential mortgage-backed securities	18,588	2,267	(342)	20,513
Collateralized debt securities	5,574	821	(3)	6,392
Other debt securities	3,233		(55)	3,178
Total bonds available-for-sale	**5,668,984**	**172,135**	**(37,843)**	**5,803,276**
Equity securities				
Common stock	713,099	810,611	(5,195)	1,518,515
Preferred stock	19,334	3,889	(62)	23,161
Total equity securities	**732,433**	**814,500**	**(5,257)**	**1,541,676**
Total investments in securities	**$ 13,652,802**	**$ 1,271,950**	**$ (83,108)**	**$ 14,841,644**

	December 31, 2015			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Fixed maturity securities, bonds held-to-maturity				
U.S. states and political subdivisions	$ 324,643	$ 22,318	$ (444)	$ 346,517

Foreign governments	4,101	867		4,968
Corporate debt securities	6,985,844	263,927	(158,101)	7,091,670
Residential mortgage-backed securities	277,135	18,351	(1,286)	294,200
Collateralized debt securities	1,924	100		2,024
Other debt securities	15,773	401		16,174
Total bonds held-to-maturity	**7,609,420**	**305,964**	**(159,831)**	**7,755,553**
Fixed maturity securities, bonds available-for-sale				
U.S. treasury and government	24,024	702	(34)	24,692
U.S. states and political subdivisions	933,958	39,808	(1,275)	972,491
Foreign governments	5,000	1,733		6,733
Corporate debt securities	4,431,765	120,471	(107,614)	4,444,622
Residential mortgage-backed securities	25,629	2,155	(420)	27,364
Collateralized debt securities	7,455	629	(70)	8,014
Total bonds available-for-sale	**5,427,831**	**165,498**	**(109,413)**	**5,483,916**
Equity securities				
Common stock	794,839	718,225	(22,035)	1,491,029
Preferred stock	15,987	7,964	(1)	23,950
Total equity securities	**810,826**	**726,189**	**(22,036)**	**1,514,979**
Total investments in securities	**$ 13,848,077**	**$ 1,197,651**	**$ (291,280)**	**$ 14,754,448**

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Note 4 Investment in Securities (Continued)

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

	December 31, 2016			
	Bonds Held-to-Maturity		Bonds Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 492,792	$ 503,694	$ 228,534	$ 231,434
Due after one year through five years	3,369,648	3,556,266	1,443,585	1,514,270
Due after five years through ten years	3,209,951	3,250,902	3,396,681	3,458,366
Due after ten years	173,144	180,805	595,184	594,231
Without single maturity date	5,850	5,025	5,000	4,975
Total	**$ 7,251,385**	**$ 7,496,692**	**$ 5,668,984**	**$ 5,803,276**

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

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

	Years ended December 31,		
	2016	2015	2014
Proceeds from sales of available-for-sale securities	$ 138,665	$ 86,793	$ 184,918
Gross realized gains	34,135	34,434	38,301
Gross realized losses	(7,775)	(592)	(3,635)

Gains and losses are determined using specific identification of the securities sold. During 2016 and 2015, bonds with a carrying value of $22,848,000 and $171,000, respectively were transferred from held-to-maturity to available-for-sale after a significant deterioration in the issuers credit worthiness became evident. An unrealized loss of $723,000 and $53,000 were recorded in 2016 and 2015, respectively following the transfer at fair value.

In accordance with various regulations, American National had bonds on deposit with regulating authorities with a carrying value of $52,349,000 and $51,877,000 at December 31, 2016 and 2015, respectively. In addition, American National has pledged bonds in connection with agreements and transactions, such as financing and reinsurance agreements. The carrying value of bonds pledged was $76,558,000 and $77,360,000 at December 31, 2016 and 2015, respectively.

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

	Years ended December 31,		
	2016	**2015**	**2014**
Bonds available-for-sale	$ 78,207	$ (171,006)	$ 83,809
Equity securities	105,090	(73,441)	108,066
Change in net unrealized gains (losses) on securities during the year	183,297	(244,447)	191,875
Adjustments for			
Deferred policy acquisition costs	(29,074)	59,340	(14,611)
Participating policyholders interest	(10,282)	8,646	(9,046)
Deferred federal income tax benefit (expense)	(50,237)	61,744	(58,004)
Change in net unrealized gains (losses) on securities, net of tax	**$ 93,704**	**$ (114,717)**	**$ 110,214**

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Note 4 Investment in Securities (Continued)

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

	December 31, 2016					
	Less than 12 months		12 Months or more		Total	
	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value
Fixed maturity securities, bonds held-to-maturity						
U.S. states and political subdivisions	$ (102)	$ 18,886	$	$	$ (102)	$ 18,886
Corporate debt securities	(18,110)	971,361	(20,611)	186,262	(38,721)	1,157,623
Residential mortgage-backed securities	(558)	22,806	(627)	10,248	(1,185)	33,054
Total bonds held-to-maturity	**(18,770)**	**1,013,053**	**(21,238)**	**196,510**	**(40,008)**	**1,209,563**
Fixed maturity securities, bonds available-for-sale						
U.S. treasury and government	(16)	10,640			(16)	10,640
U.S. states and political subdivisions	(6,376)	282,141	(2)	122	(6,378)	282,263
Corporate debt securities	(19,828)	917,215	(11,221)	126,584	(31,049)	1,043,799
Residential mortgage-backed securities	(204)	12,420	(138)	3,982	(342)	16,402
Collateralized debt securities		1	(3)	146	(3)	147
Other Debt Securities	(55)	3,178			(55)	3,178
Total bonds available-for-sale	(26,479)	1,225,595	(11,364)	130,834	(37,843)	1,356,429
Equity securities						
Common stock	(5,195)	53,068			(5,195)	53,068
Preferred stock	(62)	4,324			(62)	4,324
Total equity securities	**(5,257)**	**57,392**			**(5,257)**	**57,392**
Total	**$ (50,506)**	**$ 2,296,040**	**$ (32,602)**	**$ 327,344**	**$ (83,108)**	**$ 2,623,384**

	December 31, 2015					
	Less than 12 months		12 Months or more		Total	

	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value
Fixed maturity securities, bonds held-to-maturity						
U.S. states and political subdivisions	$ (444)	$ 19,412	$	$	$ (444)	$ 19,412
Corporate debt securities	(93,285)	1,912,178	(64,816)	283,469	(158,101)	2,195,647
Residential mortgage-backed securities	(449)	21,275	(837)	14,721	(1,286)	35,996
Total bonds held-to-maturity	**(94,178)**	**1,952,865**	**(65,653)**	**298,190**	**(159,831)**	**2,251,055**
Fixed maturity securities, bonds available-for-sale						
U.S. treasury and government	(34)	18,802			(34)	18,802
U.S. states and political subdivisions	(1,223)	80,807	(52)	2,569	(1,275)	83,376
Corporate debt securities	(81,638)	1,796,357	(25,976)	90,784	(107,614)	1,887,141
Residential mortgage-backed securities	(228)	15,273	(192)	4,984	(420)	20,257
Collateralized debt securities	(66)	2,115	(4)	253	(70)	2,368
Total bonds available-for-sale	**(83,189)**	**1,913,354**	**(26,224)**	**98,590**	**(109,413)**	**2,011,944**
Equity securities						
Common stock	(22,035)	136,694			(22,035)	136,694
Preferred stock			(1)		(1)	
Total equity securities	**(22,035)**	**136,694**	**(1)**		**(22,036)**	**136,694**
Total	**$ (199,402)**	**$ 4,002,913**	**$ (91,878)**	**$ 396,780**	**$ (291,280)**	**$ 4,399,693**

As of December 31, 2016, the securities with unrealized losses including those exceeding one year were not deemed to be other-than-temporarily impaired. American National has the ability and intent to hold those securities until a market price recovery or maturity. It is not more-likely-than-not that American National will be required to sell them prior to recovery, and recovery is expected in a reasonable period of time. It is possible an issuer s financial circumstances may be different in the future, which may lead to a different impairment conclusion in future periods.

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Note 4 Investment in Securities (Continued)

The following table identifies the total bonds distributed by credit quality rating (in thousands, except percentages):

	December 31, 2016			December 31, 2015		
	Amortized Cost	Estimated Fair Value	% of Fair Value	Amortized Cost	Estimated Fair Value	% of Fair Value
AAA	$ 667,561	$ 691,296	5.2%	$ 681,918	$ 720,175	5.4%
AA	1,393,137	1,440,667	10.8	1,522,300	1,591,496	12.0
A	4,538,471	4,696,909	35.3	4,672,994	4,828,340	36.5
BBB	5,758,560	5,931,112	44.6	5,731,158	5,732,961	43.3
BB and below	562,640	539,984	4.1	428,881	366,497	2.8
Total	**$ 12,920,369**	**$ 13,299,968**	**100.0 %**	**$ 13,037,251**	**$ 13,239,469**	**100.0 %**

Equity securities by market sector distribution are shown below:

	December 31,	
	2016	2015
Consumer goods	20.4%	20.5%
Energy and utilities	11.1	10.3
Finance	22.1	20.0
Healthcare	12.7	14.6
Industrials	9.0	8.2
Information technology	17.1	17.8
Other	7.6	8.6
Total	**100.0%**	**100.0%**

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Note 5 Mortgage Loans

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

	December 31, 2016	December 31, 2015
East North Central	16.2%	18.8%
East South Central	3.7	4.8
Mountain	10.6	11.6
Pacific	17.6	10.7
South Atlantic	15.1	18.8
West South Central	31.0	29.0
Other	5.8	6.3
Total	**100.0%**	**100.0 %**

During 2016, American National did not foreclose on any loans, and one loan with a recorded investment of $1,940,000, was in the process of foreclosure. For the year ended December 31, 2015, American National foreclosed on three loans with a recorded investment totaling $24,333,000 and one loan was in the process of foreclosure with a recorded investment of $2,450,000. American National sold no loans during 2016 and one loan with a recorded investment of $2,702,000 resulting in a realized loss of $1,602,000 for the year ended December 31, 2015.

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

December 31, 2016	**30-59 Days Past Due**	**60-89 Days Past Due**	**More Than 90 Days**	**Total**	**Current**	**Total Amount**	**Percent**
Industrial	$	$ 2,300	$	$ 2,300	$ 744,472	$ 746,772	17.1
Office			6,059	6,059	1,541,880	1,547,939	35.5
Retail					736,121	736,121	16.9
Other	20,179	9,280		29,459	1,300,245	1,329,704	30.5
Total	**$ 20,179**	**$ 11,580**	**$ 6,059**	**$ 37,818**	**$ 4,322,718**	**$ 4,360,536**	**100.0**
Allowance for loan losses						(12,490)	
Total, net of allowance						**$ 4,348,046**	
December 31, 2015							
Industrial	$	$	$	$	$ 704,426	$ 704,426	20.1
Office		5,883	2,450	8,333	1,252,484	1,260,817	36.1

Retail	19,088			19,088	583,810	602,898	17.2
Other					928,034	928,034	26.6
Total	**$ 19,088**	**$ 5,883**	**$ 2,450**	**$ 27,421**	**$ 3,468,754**	**$ 3,496,175**	**100.0**
Allowance for loan losses						(12,895)	
Total, net of allowance						**$ 3,483,280**	

Total mortgage loans are net of unamortized discounts of $233,000 and $452,000 and unamortized origination fees of $33,019,000 and $22,637,000 at December 31, 2016 and 2015, respectively. No unearned income is included in these amounts.

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Note 5 Mortgage Loans (Continued)

Allowance for Credit Losses

A loan is considered impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. Mortgage loans with temporary difficulties are not considered impaired when the borrower has the financial capacity to fund revenue shortfalls from the properties for the foreseeable future. Individual valuation allowances are established for impaired loans to reduce the carrying value to the fair value of the collateral. Loans not evaluated individually for collectability are segregated by property-type and location, and allowance factors are applied. These factors are developed based on our historical loss experience adjusted for the expected trend in the rate of foreclosure losses. Allowance factors are higher for loans of certain property types and in certain regions based on loss experience or a blended historical loss factor.

The change in allowance for credit losses in mortgage loans is shown below (in thousands, except number of loans):

	Collectively Evaluated for Impairment			Individually Impaired			Total		
	Number of Loans	**Recorded Investment**	**Valuation Allowance**	**Number of Loans**	**Recorded Investment**	**Valuation Allowance**	**Number of Loans**	**Recorded Investment**	**Valuation Allowance**
Balance at December 31, 2013	**407**	**$ 3,310,930**	**$ 11,688**	**1**	**$ 493**	**$ 493**	**408**	**$ 3,311,423**	**$ 12,181**
Change Due to Factor Development			127						127
Change in allowance			462			5,090			5,552
Change in recorded investment	(8)	39,954		2	26,070		(6)	66,024	
Balance at December 31, 2014	**399**	**3,350,884**	**12,277**	**3**	**26,563**	**5,583**	**402**	**3,377,447**	**17,860**
Change in allowance			(1,561)			(3,404)			(4,965)
Change in recorded investment	2	129,123		(1)	(10,395)		1	118,728	
Balance at December 31, 2015	**401**	**3,480,007**	**10,716**	**2**	**16,168**	**2,179**	**403**	**3,496,175**	**12,895**
Change in allowance			772			(1,177)			(405)
Change in recorded investment	29	878,589			(14,228)		29	864,361	

Balance at December 31, 2016	**430**	**$**	**4,358,596**	**$**	**11,488**	**2**	**$**	**1,940**	**$**	**1,002**	**432**	**$ 4,360,536**	**$ 12,490**

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Note 5 Mortgage Loans (Continued)

Troubled Debt Restructurings

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

Troubled debt restructuring mortgage loan information is as follows (in thousands, except number of loans):

	Years ended December 31,					
	2016			2015		
	Number of loans	Recorded investment pre-modification	Recorded investment post modification	Number of loans	Recorded investment pre-modification	Recorded investment post modification
Office	1	$ 6,432	$ 6,432	2	$ 12,211	$ 12,211
Retail	2	10,972	10,972			
Total	**3**	**$ 17,404**	**$ 17,404**	**2**	**$ 12,211**	**$ 12,211**

There are $430,399 of commitments to lend additional funds to debtors whose loans have been modified in troubled debt restructuring, and there have been no defaults on modified loans during the periods presented.

Note 6 Real Estate and Other Investments

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

	December 31,	
	2016	2015
Industrial	9.2%	10.9%
Office	37.8	38.1
Retail	37.2	37.0
Other	15.8	14.0
Total	**100.0%**	**100.0%**

	December 31, 2016	December 31, 2015
East North Central	8.8%	11.4%
East South Central	3.4	3.6
Mountain	12.0	12.6
Pacific	6.1	5.6
South Atlantic	13.0	10.1
West South Central	52.2	50.7
Other	4.5	6.0
Total	**100.0%**	**100.0%**

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Note 6 Real Estate and Other Investments (Continued)

American National regularly invests in real estate partnerships and joint ventures. American National frequently participates in the design of these entities with the sponsor, but in most cases, its involvement is limited to financing. Through analysis performed by American National, some of these partnerships and joint ventures have been determined to be variable interest entities (VIEs). In certain instances, in addition to an economic interest in the entity, American National holds the power to direct the most significant activities of the entity and is deemed the primary beneficiary or consolidator of the entity. The assets of the consolidated VIEs are restricted and must first be used to settle their liabilities. Creditors or beneficial interest holders of these VIEs have no recourse to the general credit of American National, as American National s obligation is limited to the amount of its committed investment. American National has not provided financial or other support to the VIEs in the form of liquidity arrangements, guarantees, or other commitments to third parties that may affect the fair value or risk of its variable interest in the VIEs in 2016 or 2015.

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

	December 31,	
	2016	**2015**
Investment real estate	$ 173,816	$ 174,264
Short-term investments	1	1
Cash and cash equivalents	6,099	3,855
Accrued investment income		557
Other receivables	6,456	8,101
Other assets	8,820	8,210
Total assets of consolidated VIEs	**$ 195,192**	**$ 194,988**
Notes payable	$ 136,080	$ 128,436
Other liabilities	10,037	19,436
Total liabilities of consolidated VIEs	**$ 146,117**	**$ 147,872**

The notes payable in the consolidated statements of financial position pertain to the borrowings of the consolidated VIEs. The liability of American National relating to notes payable of the consolidated VIEs is limited to the amount of its direct or indirect investment in the respective ventures, which totaled $31,795,000 and $34,699,000 at December 31, 2016 and 2015, respectively. The total of notes payable, $136,080,000, is long-term and consists of four notes with the following interest rates: one note at 4.0%, one note at LIBOR, one note at 90-Day LIBOR plus LIBOR margin, and one note at Prime Rate. Two notes mature in 2018, one note matures in 2021, and one note matures in 2022.

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

	December 31,			
	2016		2015	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Investment in unconsolidated affiliates	$ 323,933	$ 323,933	$ 236,816	$ 236,816
Mortgage loans	481,799	481,799	212,228	212,228
Accrued investment income	1,919	1,919	661	661

As of December 31, 2016, one real estate investment with a carrying value of $2,818,000 was classified as held for sale.

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Note 6 Real Estate and Other Investments (Continued)

The Company s equity in earnings of unconsolidated affiliates is the Company s share of operating earnings and realized gains from investments in real estate joint ventures and other limited partnership interests (joint ventures) using the equity method of accounting. In 2016 and 2015 certain joint ventures took advantage of market opportunities to generate realized gains on the sale of real estate held or developed by the venture.

The Company s income from and investment in each joint venture did not exceed 20% and therefore no separate financial disclosure is required. The Company s income from, assets held, and investment in each joint venture did not exceed 10% except for 2015 when it was determined one joint venture slightly exceeded the income test threshold of 10% at 10.89% of operating income before tax. However, 96.8% of this joint venture s income in 2015 was attributable to realized gain resulting from the sale of its operating assets. Additionally, the Company s investment in joint ventures continues to be 2% or less of the Company s total assets, and investments in individual joint ventures is not considered to be material to the Company in relation to its financial position or ongoing results of operations. Therefore, summarized financial information of equity method investees has not been included.

The Company s total investment in and equity in earnings of unconsolidated affiliates, which are substantially all LLC s or LLP s, were comprised of the following (in thousands):

	December 31,	
	2016	**2015**
Real estate	$ 372,393	$ 299,720
Equity and fixed income	79,145	50,326
Other	38,938	29,302
Total investments in unconsolidated affiliates	**$ 490,476**	**$ 379,348**

	Years ended December 31,		
	2016	**2015**	**2014**
Income from operations	$ 19,005	$ 815	$ 284
Net gain on sales	38,195	76,593	14,410
Equity in earnings of unconsolidated affiliates	**$ 57,200**	**$ 77,408**	**$ 14,694**

Note 7 Derivative Instruments

American National purchases over-the-counter equity-indexed options as economic hedges against fluctuations in the equity markets to which equity-indexed products are exposed. These options are not designated as hedging instruments for accounting purposes under U.S. GAAP. Equity-indexed contracts include a fixed host universal-life insurance or annuity contract and an equity-indexed embedded derivative. The detail of derivative instruments is shown below (in thousands, except number of instruments):

		December 31,					
		2016			2015		
Derivatives Not Designated as Hedging Instruments	Location in the Consolidated Statements of Financial Position	Number of Instruments	Notional Amounts	Estimated Fair Value	Number of Instruments	Notional Amounts	Estimated Fair Value
Equity-indexed options	Other invested assets	442	$ 1,414,100	$ 156,479	419	$ 1,200,600	$ 123,007
Equity-indexed embedded derivative	Policyholders account balances	62,481	1,289,800	314,330	51,815	1,067,600	242,412

Derivatives Not Designated as Hedging Instruments	Location in the Consolidated Statements of Operations	Gains (Losses) Recognized in Income on Derivatives Years ended December 31, 2016	2015	2014
Equity-indexed options	Net investment income	$ 28,869	$ (9,103)	$ 52,071
Equity-indexed embedded derivative	Interest credited to policyholders account balances	(25,239)	6,439	(32,071)

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Note 7 Derivative Instruments (Continued)

The Company s use of derivative instruments exposes it to credit risk in the event of non-performance by the counterparties. The Company has adopted a policy of only dealing with counterparties we believe are credit worthy and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. The non-performance risk is the net counterparty exposure based on the fair value of the open contracts, less collateral held. The Company maintains master netting agreements with its current active trading partners. As such, a right of offset has been applied to unrestricted collateral that supports credit risk and has been recorded in the consolidated statements of financial position as an offset to Other invested assets with an associated payable to Other liabilities for excess collateral. Restricted collateral has been recorded as Other liabilities because of the uncertainty of its availability to offset exposure losses. Information regarding the Company s exposure to credit loss on the options it holds is presented below (in thousands):

		December 31, 2016				
Counterparty	**Moody/S&P Rating**	**Options Fair Value**	**Collateral Held**	**Collateral Amounts used to Offset Exposure**	**Excess and Restricted Collateral**	**Exposure Net of Collateral**
Barclays	Baa2/BBB	$ 33,839	$ 35,063	$ 33,839	$ 1,224	$
Citigroup	Baa1/BBB+	2,249				2,249
Goldman-Sachs	A3/BBB+	1,452	1,400	1,400		52
ING	Baa1/A-	29,609	26,430	26,430		3,179
JP Morgan	A3/A-	163				163
Morgan Stanley	A3/BBB+	17,864	17,680	17,680		184
NATIXIS*	A2/A	24,804	26,620		26,620	24,804
SunTrust	Baa1/BBB+	19,559	19,960	19,559	401	
Wells Fargo	A2/A	26,940	26,540	26,540		400
Total		**$ 156,479**	**$ 153,693**	**$ 125,448**	**$ 28,245**	**$ 31,031**

		December 31, 2015				
Counterparty	**Moody/S&P Rating**	**Options Fair Value**	**Collateral Held**	**Collateral Amounts used to Offset Exposure**	**Excess and Restricted Collateral**	**Exposure Net of Collateral**
Barclays	Baa2/BBB	$ 29,976	$ 31,383	$ 29,976	$ 1,407	$
Citigroup	Baa1/BBB+	2,044				2,044
Goldman-Sachs	A3/BBB+	1,075	1,040	1,040		35

ING	Baa1/A-	21,459	18,590	18,590		2,869
JP Morgan	A3/A-	795				795
Morgan Stanley	A3/BBB+	11,625	12,530	11,625	905	
NATIXIS*	A2/A	16,165	16,230		16,230	16,165
SunTrust	Baa1/BBB+	18,143	18,240	18,143	97	
Wells Fargo	A2/A	21,725	22,680	21,725	955	
Total		**$ 123,007**	**$ 120,693**	**$ 101,099**	**$ 19,594**	**$ 21,908**

* Collateral Restrictions

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Note 8 Net Investment Income and Realized Investment Gains (Losses)

Net investment income is shown below (in thousands):

	Years ended December 31,		
	2016	2015	2014
Bonds	$ 551,849	$ 558,837	$ 596,013
Equity securities	38,680	36,314	35,324
Mortgage loans	211,972	204,913	204,499
Real estate	6,743	12,833	10,823
Options	28,869	(9,103)	52,071
Other invested assets	22,122	31,037	34,128
Total	**$ 860,235**	**$ 834,831**	**$ 932,858**

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

	Years ended December 31,		
	2016	2015	2014
Bonds	$ 16,705	$ 16,300	$ 25,580
Equity securities	33,348	60,485	22,089
Mortgage loans	405	(220)	(5,679)
Real estate	2,188	10,872	7,035
Other invested assets	(6,039)	(52)	(963)
Total	**$ 46,607**	**$ 87,385**	**$ 48,062**

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

	Years ended December 31,		
	2016	2015	2014
Bonds	$ (94)	$ (286)	$ (41)
Equity securities	(17,573)	(27,656)	(6,599)
Total	**$ (17,667)**	**$ (27,942)**	**$ (6,640)**

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Note 9 Fair Value of Financial Instruments

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

	December 31,			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Fixed maturity securities, bonds held-to-maturity	$ 7,251,385	$ 7,496,692	$ 7,609,420	$ 7,755,553
Fixed maturity securities, bonds available-for-sale	5,803,276	5,803,276	5,483,916	5,483,916
Equity securities	1,541,676	1,541,676	1,514,979	1,514,979
Equity-indexed options	156,479	156,479	123,007	123,007
Mortgage loans on real estate, net of allowance	4,348,046	4,435,530	3,483,280	3,621,978
Policy loans	384,376	384,376	407,491	407,491
Short-term investments	192,226	192,226	460,612	460,612
Separate account assets	941,612	941,612	918,446	918,446
Total financial assets	**$ 20,619,076**	**$ 20,951,867**	**$ 20,001,151**	**$ 20,285,982**
Financial liabilities				
Investment contracts	$ 8,785,412	$ 8,785,412	$ 8,787,376	$ 8,787,376
Embedded derivative liability for equity-indexed contracts	314,330	314,330	242,412	242,412
Notes payable	136,080	136,080	128,436	128,436
Separate account liabilities	941,612	941,612	918,446	918,446
Total financial liabilities	**$ 10,177,434**	**$ 10,177,434**	**$ 10,076,670**	**$ 10,076,670**

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

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

Level 2 Quoted prices in markets that are not active or inputs that are observable directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

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

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

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Note 9 Fair Value of Financial Instruments (Continued)

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

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

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

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

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

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

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

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

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Note 9 Fair Value of Financial Instruments (Continued)

The significant unobservable input used to calculate the fair value of the embedded derivatives is equity option implied volatility. An increase in implied volatility will result in an increase in the value of the equity-indexed embedded derivatives, all other things being equal. At December 31, 2016 and 2015, the one year implied volatility used to estimate embedded derivative value was 16.5% and 17.5%, respectively.

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

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

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

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

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Note 9 Fair Value of Financial Instruments (Continued)

Quantitative Disclosures

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

	Fair Value Measurement as of December 31, 2016			
	Total Fair Value	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Fixed maturity securities, bonds held-to-maturity				
U.S. states and political subdivisions	$ 319,082	$	$ 319,082	$
Foreign governments	4,716		4,716	
Corporate debt securities	6,925,978		6,875,015	50,963
Residential mortgage-backed securities	242,685		241,779	906
Collateralized debt securities	1,354			1,354
Other debt securities	2,877			2,877
Total bonds held-to-maturity	**7,496,692**		**7,440,592**	**56,100**
Fixed maturity securities, bonds available-for-sale				
U.S. treasury and government	25,640		25,640	
U.S. states and political subdivisions	960,223		957,748	2,475
Foreign governments	6,567		6,567	
Corporate debt securities	4,780,763		4,773,516	7,247
Residential mortgage-backed securities	20,513		17,909	2,604
Collateralized debt securities	6,392		4,454	1,938
Other debt securities	3,178		3,178	
Total bonds available-for-sale	**5,803,276**		**5,789,012**	**14,264**
Equity securities				
Common stock	1,518,515	1,518,515		
Preferred stock	23,161	23,161		
Total equity securities	**1,541,676**	**1,541,676**		
Options	156,479			156,479
Mortgage loans on real estate	4,435,530		4,435,530	
Policy loans	384,376			384,376
Short-term investments	192,226		192,226	
Separate account assets	941,612		941,612	

Total financial assets	**$ 20,951,867**	**$ 1,541,676**	**$ 18,798,972**	**$ 611,219**
Financial liabilities				
Investment contracts	$ 8,785,412	$	$	$ 8,785,412
Embedded derivative liability for equity-indexed contracts	314,330			314,330
Notes payable	136,080			136,080
Separate account liabilities	941,612		941,612	
Total financial liabilities	**$ 10,177,434**	**$**	**$ 941,612**	**$ 9,235,822**

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Note 9 Fair Value of Financial Instruments (Continued)

	Fair Value Measurement as of December 31, 2015			
	Total Fair Value	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Fixed maturity securities, bonds held-to-maturity				
U.S. states and political subdivisions	$ 346,517	$	$ 346,517	$
Foreign governments	4,968		4,968	
Corporate debt securities	7,091,670		7,010,165	81,505
Residential mortgage-backed securities	294,200		293,267	933
Collateralized debt securities	2,024		2,024	
Other debt securities	16,174		12,355	3,819
Total bonds held-to-maturity	**7,755,553**		**7,669,296**	**86,257**
Fixed maturity securities, bonds available-for-sale				
U.S. treasury and government	24,692		24,692	
U.S. states and political subdivisions	972,491		969,996	2,495
Foreign governments	6,733		6,733	
Corporate debt securities	4,444,622		4,431,263	13,359
Residential mortgage-backed securities	27,364		24,958	2,406
Collateralized debt securities	8,014		6,144	1,870
Total bonds available-for-sale	**5,483,916**		**5,463,786**	**20,130**
Equity securities				
Common stock	1,491,029	1,491,029		
Preferred stock	23,950	23,950		
Total equity securities	**1,514,979**	**1,514,979**		
Options	123,007			123,007
Mortgage loans on real estate	3,621,978		3,621,978	
Policy loans	407,491			407,491
Short-term investments	460,612		460,612	
Separate account assets	918,446		918,446	
Total financial assets	**$ 20,285,982**	**$ 1,514,979**	**$ 18,134,118**	**$ 636,885**
Financial liabilities				
Investment contracts	$ 8,787,376	$	$	$ 8,787,376

Embedded derivative liability for equity-indexed contracts	242,412			242,412
Notes payable	128,436			128,436
Separate account liabilities	918,446		918,446	
Total financial liabilities	**$ 10,076,670**	**$**	**$ 918,446**	**$ 9,158,224**

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Note 9 Fair Value of Financial Instruments (Continued)

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

	Level 3		
	Assets		Liability
	Investment Securities	Equity-Indexed Options	Embedded Derivative
Balance at December 31, 2013	**$ 48,304**	**$ 164,753**	**$ 148,435**
Total realized and unrealized investment losses included in other comprehensive income	(11,746)		
Net fair value change included in realized gains	13,056		
Net gain for derivatives included in net investment income		44,492	
Net change included in interest credited			32,071
Purchases, sales and settlements or maturities			
Purchases		16,844	
Sales	(37,803)		
Settlements or maturities	(10)	(36,640)	
Premiums less benefits			27,681
Gross transfers into Level 3	54,241		
Gross transfers out of Level 3	(1,609)		
Balance at December 31, 2014	**64,433**	**189,449**	**208,187**
Total realized and unrealized investment gains included in other comprehensive income	427		
Net fair value change included in realized gains (losses)			
Net loss for derivatives included in net investment income		(13,889)	
Net change included in interest credited			(6,439)
Purchases, sales and settlements or maturities			
Purchases		22,369	
Sales	(2)	(55,279)	
Settlements or maturities	(479)	(19,643)	
Premiums less benefits			40,664
Gross transfers into Level 3	10,228		
Gross transfers out of Level 3	(54,477)		
Balance at December 31, 2015	**20,130**	**123,007**	**242,412**

Total realized and unrealized investment gains included in other comprehensive income	481		
Net fair value change included in realized gains (losses)			
Net gain for derivatives included in net investment income		28,400	
Net change included in interest credited			25,239
Purchases, sales and settlements or maturities			
Purchases		27,961	
Sales			
Settlements or maturities	(425)	(22,889)	
Premiums less benefits			46,679
Gross transfers into Level 3	908		
Gross transfers out of Level 3	(6,830)		
Balance at December 31, 2016	**$ 14,264**	**$ 156,479**	**$ 314,330**

Within the net gain (loss) for derivatives included in net investment income were unrealized gains of $44,615,000, unrealized losses of $50,114,000, and unrealized gains of $24,108,000 relating to assets still held at December 31, 2016, 2015, and 2014, respectively.

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Note 9 Fair Value of Financial Instruments (Continued)

There were no transfers between Level 1 and Level 2 fair value hierarchies. The transfers into Level 3 during the years ended December 31, 2016, 2015, and 2014 were the result of existing securities no longer being priced by the third-party pricing service at the end of the period and unless information is obtained from the brokers that indicate observable inputs were used in their pricing, there are not enough observable inputs to enable American National to classify the securities priced by the brokers as anything other than Level 3. American National s valuation of these securities involves judgment regarding assumptions market participants would use including quotes from independent brokers. The inputs used by the brokers include recent transactions in the security, similar bonds with same name, ratings, maturity and structure, external dealer quotes in the security, Bloomberg evaluated pricing and prior months pricing. None of them are observable to American National as of December 31, 2016. The transfers out of Level 3 during the years ended December 31, 2016, 2015, and 2014, were securities being priced by the third-party service at the end of the period, using inputs that are observable or derived from market data, which resulted in classification of these assets as Level 2.

Note 10 Deferred Policy Acquisition Costs

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

	Life	Annuity	Accident & Health	Property & Casualty	Total
Balance at December 31, 2013	**$ 684,084**	**424,158**	**47,220**	**122,271**	**$ 1,277,733**
Additions	110,195	47,400	19,530	213,237	390,362
Amortization	(78,181)	(79,135)	(18,966)	(223,658)	(399,940)
Effect of change in unrealized gains on available-for-sale securities	(4,629)	(9,982)			(14,611)
Net change	27,385	(41,717)	564	(10,421)	(24,189)
Balance at December 31, 2014	**711,469**	**382,441**	**47,784**	**111,850**	**1,253,544**
Additions	108,615	64,724	20,249	236,785	430,373
Amortization	(77,567)	(81,793)	(23,643)	(235,585)	(418,588)
Effect of change in unrealized gains on available-for-sale securities	13,506	45,834			59,340
Net change	44,554	28,765	(3,394)	1,200	71,125
Balance at December 31, 2015	**756,023**	**411,206**	**44,390**	**113,050**	**1,324,669**

Additions	108,825	77,161	11,203	263,024	460,213
Amortization	(112,712)	(71,381)	(14,973)	(262,299)	(461,365)
Effect of change in unrealized gains on available-for-sale securities	(6,296)	(22,778)			(29,074)
Net change	(10,183)	(16,998)	(3,770)	725	(30,226)
Balance at December 31, 2016	**$ 745,840**	**$ 394,208**	**$ 40,620**	**$ 113,775**	**$ 1,294,443**

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

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Note 11 Liability for Future Policy Benefits and Policyholder Account Balances

American National estimates liabilities for amounts payable under insurance and annuity policies. Generally, amounts are payable over an extended period of time and related liabilities are calculated as the present value of expected benefit payments reduced by the present value of expected premiums. Such liabilities are established on a block of business based on methods and underlying assumptions in accordance with GAAP and applicable actuarial standards. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, policy lapse, renewal, retirement, disability incidence, disability termination, investment return, inflation, expenses, and other contingent events as appropriate to the respective product type.

Future policy benefits for non-participating traditional life insurance are equal to the aggregate of the present value of expected benefit payments and related expenses less the present value of expected net premiums. Assumptions as to mortality and persistency are based upon American National s experience when the basis of the liability is established. Interest rates for the aggregate future policy benefit liabilities range from 3.0% to 8.0%.

Future policy benefit liabilities for participating traditional life insurance are equal to the aggregate of (i) net level premium reserves for death and endowment policy benefits (calculated based upon the non-forfeiture interest rate, ranging from 2.5% to 5.5%) and mortality rates guaranteed in calculating the cash surrender values described in such contracts; and (ii) the liability for terminal dividends.

Future policy benefit liabilities for individual fixed deferred annuities after annuitization and single premium immediate annuities are equal to the present value of expected future payments. The interest rate used in establishing such liabilities range from 3.0% to 6.0% for all policies in-force.

Future policy benefit liabilities for non-medical health insurance are calculated using the net level premium method and assumptions as to future morbidity, withdrawals and interest, which provide a margin for adverse deviation. The interest rate used in establishing such liabilities range from 3.5% to 8.0%.

Future policy benefit liabilities for disabled lives are estimated using the present value of benefits method and experience assumptions as to claim terminations, expenses and interest. The interest rate used in establishing such liabilities range from 3.0% to 4.5%.

Liabilities for universal life secondary guarantees and paid-up guarantees are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the accumulation period based on total expected assessments. American National regularly evaluates estimates used and adjusts the additional liability balances with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised. The assumptions used in estimating the secondary and paid-up guarantee liabilities are consistent with those used for amortizing DAC, and are thus subject to the same variability and risk. The assumptions of investment performance and volatility for variable products are consistent with historical Standard & Poor s experience. The benefits used in calculating the liabilities are based on the average benefits payable over a range of scenarios.

American National periodically reviews its estimates of actuarial liabilities for future policy benefits and compares them with its actual experience. Differences between actual experience and the assumptions used in pricing these policies, guarantees and riders and in the establishment of the related liabilities result in variances in profit and could result in losses. The effects of changes in such estimated liabilities are included in the results of operations in the period in which the changes occur.

Policyholder account balances relate to investment-type contracts and universal life-type policies. Investment-type contracts principally include traditional individual fixed annuities in the accumulation phase and non-variable group annuity contracts. Policyholder account balances are equal to (i) policy account values, which consist of an accumulation of gross premium payments; (ii) credited interest, ranging from 1.0% to 8.0% (some annuities have enhanced first year crediting rates ranging from 1.0% to 7.0%), less expenses, mortality charges, and withdrawals; and (iii) fair value adjustments.

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Note 12 Liability for Unpaid Claims and Claim Adjustment Expenses

The liability for unpaid claims and claim adjustment expenses (claims) for accident and health, and property and casualty insurance is included in Policy and contract claims in the consolidated statements of financial position and is the amount estimated for claims that have been reported but not settled and incurred but not reported (IBNR) claims. Liability for unpaid claims are estimated based upon American National s historical experience and actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, less anticipated salvage and subrogation. The effects of the changes are included in the consolidated results of operations in the period in which the changes occur. The time value of money is not taken into account for the purposes of calculating the liability for unpaid claims. There have been no significant changes in methodologies or assumptions used to calculate the liability for unpaid claims and claim adjustment expenses.

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

	Years ended December 31,		
	2016	**2015**	**2014**
Unpaid claims balance, beginning	$ 1,104,302	$ 1,132,394	$ 1,096,301
Less reinsurance recoverables	217,337	245,906	215,164
Net beginning balance	**886,965**	**886,488**	**881,137**
Incurred related to			
Current	1,055,796	950,228	940,466
Prior years	(36,788)	(22,830)	(44,806)
Total incurred claims	**1,019,008**	**927,398**	**895,660**
Paid claims related to			
Current	654,175	580,476	561,887
Prior years	327,978	346,445	328,422
Total paid claims	**982,153**	**926,921**	**890,309**
Net balance	923,820	886,965	886,488
Plus reinsurance recoverables	216,903	217,337	245,906
Unpaid claims balance, ending	**$ 1,140,723**	**$ 1,104,302**	**$ 1,132,394**

The net and gross reserve calculations have shown favorable development as a result of favorable loss emergence compared to what was implied by the loss development patterns used in the original estimation of losses in prior years. Estimates for ultimate incurred claims attributable to insured events of prior years decreased by approximately $36,788,000 in 2016 and $22,830,000 in 2015 and $44,806,000 in 2014. This was a reflection of lower-than-anticipated losses in the multi-peril line of business in 2016 and lower-than-anticipated losses in the personal auto, other liability and multi-peril lines of business in 2015 and 2014.

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Note 12 Liability for Unpaid Claims and Claim Adjustment Expenses (Continued)

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses in the consolidated statement of financial position is as follows (in thousands):

	December 31, 2016
Net outstanding liabilities	
Auto Liability	$ 369,209
Non-Auto Liability	263,801
Commercial Multi-Peril	88,259
Homeowners	61,256
Short Tail Property	26,088
Credit	16,076
Health	23,068
Other	2,278
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	850,035
Reinsurance recoverable on unpaid claims	
Auto Liability	8,004
Non-Auto Liability	30,923
Commercial Multi-Peril	3,348
Homeowners	1,442
Short Tail Property	20,497
Credit	15,280
Health	134,283
Other	3,648
Total reinsurance recoverable on unpaid claims	217,425
Insurance lines other than short-duration	192,517
Unallocated claims adjustment expenses	43,948
	236,465
Total gross liability for unpaid claims and claim adjustment expense	$ 1,303,925

Property and Casualty Reserving Methodology The following methods are utilized:

Initial Expected Loss Ratio This method calculates an estimate of ultimate losses by applying an estimated loss ratio to actual earned premium for each calendar/accident year.

Bornhuetter-Ferguson This method uses as a starting point an assumed initial expected loss ratio method and blends in the loss ratio implied by the claims experience to date by using loss development patterns based on our historical experience.

Loss or Expense Development (Chain Ladder) This method uses actual loss or defense and cost containment expense data and the historical development profiles on older accident periods to project more recent, less developed periods to their ultimate total.

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Note 12 Liability for Unpaid Claims and Claim Adjustment Expenses (Continued)

Ratio of Paid Defense and Cost Containment Expense to Paid Loss Development This method uses the ratio of paid defense and cost containment expense to paid loss data and the historical development profiles on older accident periods to project more recent, less developed periods to their ultimate total. In this method, an ultimate ratio of paid defense and cost containment expense to paid loss is selected for each accident period. The selected paid defense and cost containment expense to paid loss ratio is then applied to the selected ultimate loss for each accident period to estimate the ultimate defense and cost containment expense. Paid defense and cost containment expense is then subtracted from the ultimate defense and cost containment expense to calculate the unpaid defense and cost containment expense for that accident period.

Calendar Year Paid Adjusting and Other Expense to Paid Loss This method uses a selected prior calendar years paid expense to paid loss ratio to project ultimate loss adjustment expenses for adjusting and other expense. A percentage of the selected ratio is applied to the case reserves (depending on the line of insurance) and 100% to the indicated IBNR reserves. These ratios assume that a percentage of the expense is incurred when a claim is opened and the remaining percentage is paid throughout the claim s life.

Pegged Frequency and Severity uses actual claims count data and emergence patterns of older accident periods to project the ultimate number of reported claims for a given accident year. A similar process projects the ultimate average severity per claim so that the product of the 2 projections results in a projection of ultimate loss for a given accident year.

For most credit property and casualty products, IBNR liability is calculated as a percentage of pro rata unearned premium, with the specific percentage for a given product line determined by a completion factor method. For a large subset of GAP waiver and collateral protection insurance business, IBNR liability is the average monthly paid loss over the preceding 12 months.

The expected development on reported claims is the sum of a pay-to-current reserve and a future reserve. The pay-to-current reserve is calculated for each open claim having a monthly indemnity and contains the monies required to pay the open claim from the last payment date to the current valuation date. The future reserve is calculated by assigning to each open claim a fixed reserve amount based on the historical average severity. For debt cancellation products and involuntary unemployment insurance this reserve is calculated using published valuation tables.

Cumulative claim frequency information is calculated on a per claim basis. Claims that do not result in a liability are not considered in the determination of unpaid liabilities.

For any given line of business, none of these methods are relied on exclusively. With minor exception, we will typically run all of these methods for most lines. While we may not ultimately utilize a given method for a given line, we will review as a check for reasonableness of our selected result.

The following contains information about incurred and paid claims development as of December 31, 2016, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts. The information about incurred and paid claims development for the years ended December 31, 2007, to 2015, is presented as supplementary information.

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Note 12 Liability for Unpaid Claims and Claim Adjustment Expenses (Continued)

Auto Liability- Consists of personal and commercial auto. Claims and claim adjustment expenses are shown below (in thousands):

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,										As o Decemb 201 Cu
t Year	**2007***	**2008***	**2009***	**2010***	**2011***	**2012***	**2013***	**2014***	**2015***	**2016**	**IBNR Plus ExpectedR Developmen**
	$ 306,939	$ 281,373	$ 278,279	$ 276,801	$ 276,740	$ 275,669	$ 274,620	$ 273,938	$ 273,484	$ 273,039	$ 106
		280,131	271,759	261,683	261,555	260,015	257,097	257,915	256,158	255,600	191
			299,753	273,551	263,269	258,749	260,029	258,200	257,678	256,586	376
				288,166	270,935	266,223	265,949	264,104	263,040	261,930	1,045
					263,411	250,659	248,865	244,519	244,436	242,619	1,891
						251,593	242,255	231,312	228,013	229,426	3,333
							242,364	236,432	233,068	231,301	7,190
								232,146	223,386	217,819	13,842
									237,578	240,696	34,168
										259,173	78,756
									Total	$ 2,468,189	

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,									
Accident Year	**2007***	**2008***	**2009***	**2010***	**2011***	**2012***	**2013***	**2014***	**2015***	**2016**
2007	$ 103,283	$ 178,233	$ 223,147	$ 248,430	$ 261,908	$ 269,148	$ 270,745	$ 271,751	$ 272,602	$ 272,603
2008		92,395	163,228	203,708	228,898	244,749	249,953	251,924	253,145	255,118
2009			95,847	166,441	203,869	228,650	242,768	250,681	253,417	254,988
2010				92,589	164,298	208,531	237,540	250,647	257,021	259,173
2011					93,245	161,387	197,326	217,640	230,585	236,187
2012						82,531	150,323	183,448	204,980	214,467
2013							79,358	143,709	181,535	204,480
2014								72,838	134,376	166,947
2015									78,861	149,365
2016										86,491

Total	$ 2,099,819
All outstanding liabilities before 2007, net of reinsurance*	839
Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 369,209

* Unaudited supplemental information

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Note 12 Liability for Unpaid Claims and Claim Adjustment Expenses (Continued)

Non-Auto Liability- Consists of workers compensation and other liability occurrence. Claims and claim adjustment expenses are shown below (in thousands):

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,										As of December 31, 2016	
ccident Year	2007*	2008*	2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016	IBNR Plus Expected Developmen	Cumula Numbe of Report Claim
07	$ 87,108	$ 82,759	$ 85,138	$ 83,071	$ 79,720	$ 80,520	$ 78,496	$ 78,739	$ 79,101	$ 79,668	$ 2,532	30,18
08		85,367	85,384	77,798	72,492	71,969	73,436	74,114	73,912	74,684	3,025	18,37
09			83,773	75,857	70,905	72,267	72,490	72,077	71,003	71,517	3,681	13,29
10				91,191	85,498	83,724	82,287	82,145	82,087	80,920	5,141	7,77
11					86,409	76,038	75,390	74,372	73,647	71,423	6,088	5,67
12						83,146	80,470	78,644	75,226	68,017	7,407	4,70
13							74,183	75,815	70,772	67,841	9,541	4,41
14								83,084	75,550	72,624	16,145	5,82
15									83,897	78,968	31,995	5,11
16										86,935	48,102	3,15
									Total	$ 752,597		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,									
Accident Year	2007*	2008*	2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016
2007	$ 22,008	$ 37,569	$ 50,184	$ 58,978	$ 65,026	$ 68,652	$ 70,605	$ 72,044	$ 73,180	$ 74,880
2008		18,852	34,624	43,206	51,077	58,043	62,087	64,840	66,629	67,329
2009			15,389	28,725	41,424	49,895	55,391	61,277	63,039	64,755
2010				16,473	31,819	46,746	57,354	65,557	69,091	70,369
2011					13,848	31,943	41,814	52,003	56,791	60,706
2012						13,862	27,574	38,826	49,585	55,194
2013							12,794	22,743	32,474	42,504
2014								11,201	26,587	36,220
2015									11,979	23,488
2016										12,733

Total	$ 508,178
All outstanding liabilities before 2007, net of reinsurance*	19,382
Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 263,801

* Unaudited supplemental information

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Note 12 Liability for Unpaid Claims and Claim Adjustment Expenses (Continued)

Commercial Multi-Peril- Consists of business owners insurance and mortgage fire business. Claims and claim adjustment expenses are shown below (in thousands):

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,										As of December 31, 2016	
ccident Year	**2007***	**2008***	**2009***	**2010***	**2011***	**2012***	**2013***	**2014***	**2015***	**2016**	**IBNR Plus Expected Developmen**	**Cumula Numbe of Report Claim**
007	$ 43,834	$ 40,324	$ 39,877	$ 39,215	$ 39,309	$ 38,158	$ 38,218	$ 38,078	$ 38,243	$ 37,861	$ 684	3,290
008		40,640	39,231	37,105	37,825	37,034	35,594	36,141	37,605	37,298	1,061	3,831
009			41,027	38,666	36,610	35,354	34,884	34,381	34,529	34,079	989	3,512
010				41,116	37,736	40,243	37,520	35,914	37,839	37,215	1,294	3,583
011					42,185	40,825	39,037	38,160	38,456	36,945	1,308	3,552
012						35,169	28,548	26,805	23,258	23,385	1,206	2,704
013							33,979	27,592	27,867	26,970	2,653	2,188
014								36,852	31,220	34,911	4,962	2,229
015									33,997	31,488	9,814	2,003
016										38,114	20,761	3,069
									Total	$ 338,266		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,									
Accident Year	**2007***	**2008***	**2009***	**2010***	**2011***	**2012***	**2013***	**2014***	**2015***	**2016**
2007	$ 11,548	$ 17,625	$ 21,869	$ 26,682	$ 31,080	$ 34,386	$ 35,217	$ 35,738	$ 36,054	$ 36,474
2008		10,083	17,357	20,638	25,415	29,900	32,187	34,321	34,847	35,270
2009			11,101	17,248	21,660	25,779	30,272	32,150	32,623	32,842
2010				12,511	17,490	22,135	27,152	31,378	33,384	34,888
2011					13,092	18,390	22,616	28,291	30,458	32,692
2012						11,525	14,454	16,263	18,670	20,716
2013							9,374	12,723	15,426	18,406
2014								12,001	16,484	20,199
2015									9,820	12,956
2016										11,327

Total	$ 255,770
All outstanding liabilities before 2007, net of reinsurance*	5,763
Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 88,259

* Unaudited supplemental information

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Note 12 Liability for Unpaid Claims and Claim Adjustment Expenses (Continued)

Homeowners- Consists of homeowners and renters business. Claims and claim adjustment expenses are shown below (in thousands):

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,										As c Decemb 201 Cu N R
nt Year	**2007***	**2008***	**2009***	**2010***	**2011***	**2012***	**2013***	**2014***	**2015***	**2016**	**IBNR Plus Expected Developmen**
	$ 127,373	$ 125,628	$ 124,041	$ 123,879	$ 123,950	$ 123,747	$ 123,681	$ 123,619	$ 123,668	$ 123,624	$
		191,926	198,128	198,351	198,578	197,066	196,987	196,777	197,210	197,004	86
			183,437	178,420	179,249	177,534	177,798	177,989	178,372	178,073	130
				206,606	200,318	198,111	198,029	197,443	197,675	197,465	225
					203,301	200,356	198,757	197,581	197,381	197,451	335
						181,284	177,664	175,523	175,509	175,178	464
							152,208	149,080	149,272	148,231	440
								132,651	131,634	130,287	690
									125,430	124,197	1,552
										147,262	9,391
									Total	$ 1,618,772	

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,									
Accident Year	**2007***	**2008***	**2009***	**2010***	**2011***	**2012***	**2013***	**2014***	**2015***	**2016**
2007	$ 91,413	$ 116,836	$ 119,622	$ 121,596	$ 122,919	$ 123,126	$ 123,295	$ 123,570	$ 123,578	$ 123,591
2008		148,526	189,694	193,653	195,290	195,936	196,132	196,358	196,546	196,896
2009			142,781	170,372	173,985	175,220	176,588	176,985	177,428	177,615
2010				149,755	189,046	193,006	195,365	195,714	196,281	196,419
2011					160,625	190,946	194,237	195,327	196,575	196,628
2012						143,797	169,415	171,842	173,170	173,676
2013							115,605	140,309	145,152	146,650
2014								96,300	122,601	126,245
2015									86,617	114,696
2016										105,415

Total	$ 1,557,831
All outstanding liabilities before 2007, net of reinsurance*	315
Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 61,256

* Unaudited supplemental information

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Note 12 Liability for Unpaid Claims and Claim Adjustment Expenses (Continued)

Short Tail Property- Consists of auto physical damage, fire, rental owners, standard fire policy, country estates, inland marine and watercraft. This line of business has substantially all claims settled and paid in less than two years. Claims and claim adjustment expenses are shown below (in thousands):

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,			As of December 31, 2016	
Accident Year	**2015***		**2016**	**IBNR Plus Expected Development**	**Cumulative Number of Reported Claims**
2015	202,310		199,957	315	59,375
2016			215,492	(3,433)	61,535
	Total	$	415,449		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,		
Accident Year	**2015***		**2016**
2015	182,772		198,140
2016			192,325
	Total	$	390,465
	All outstanding liabilities before 2015, net of reinsurance*		1,104
	Liabilities for claims and claim adjustment expenses, net of reinsurance	$	26,088

* Unaudited supplemental information

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Note 12 Liability for Unpaid Claims and Claim Adjustment Expenses (Continued)

Credit- Consists of credit property insurance, vendor s or lender s single interest insurance, GAP insurance, GAP waiver, debt cancellation products, involuntary unemployment insurance and collateral protection insurance. This line of business has substantially all claims settled and paid in less than two years. Claims and claim adjustment expenses are shown below (in thousands):

Accident Year	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31, 2015*	2016	As of December 31, 2016 IBNR Plus Expected Development	Cumulative Number of Reported Claims
2015	46,540	46,367		34,211
2016		75,841	8,584	39,877
	Total	$ 122,208		

Accident Year	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31, 2015*	2016
2015	34,499	46,367
2016		59,765
	Total	$ 106,132
	All outstanding liabilities before 2015, net of reinsurance*	
	Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 16,076

* Unaudited supplemental information

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Note 12 Liability for Unpaid Claims and Claim Adjustment Expenses (Continued)

Accident and Health Reserving Methodology

Completion Factor Approach This method assumes that the historical claim patterns will be an accurate representation of unpaid claim liabilities. An estimate of the unpaid claims is calculated by subtracting period-to-date paid claims from an estimate of the ultimate complete payment for all incurred claims in the period. Completion factors are calculated which complete the current period-to-date payment totals for each incurred month to estimate the ultimate expected payout.

Tabular Claims Reserves This method is used to calculate the reserves for disability income blocks of business. These reserves rely on published valuation continuance tables created using industry experience regarding assumptions of continued morbidity and subsequent recovery. Reserves are calculated by applying these continuance tables, along with appropriate company experience adjustments, to the stream of contractual benefit payments. These expected benefit payments are discounted at the required interest rate.

Future Policy Benefits Reserves are equal to the aggregate of the present value of expected future benefit payments, less the present value of expected future premiums. Morbidity and termination assumptions are based on our experience or published valuation tables when available and appropriate.

Premium Deficiency Reserves Deficiency reserves are established when the expected future claim payments and expenses for a classification of policies are in excess of the expected premiums for these policies. The determination of a deficiency reserve takes into consideration the likelihood of premium rate increases, the timing of these increases, and the expected benefit utilization patterns. We have established premium deficiency reserves for portions of the major medical business and the long-term care business that are in run-off. The assumptions and methods used to determine the deficiency reserves are reviewed periodically for reasonableness, and the reserve amount is monitored against emerging losses.

There is no expected development on reported claims in the health blocks. Claim frequency is determined by totaling the number of unique claim numbers during the period as each unique claim number represents a claim event for an individual claimant.

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Note 12 Liability for Unpaid Claims and Claim Adjustment Expenses (Continued)

Accident and Health- Consists of stop loss, other supplemental health products and credit disability insurance. This line of business has substantially all claims settled and paid in less than four years. Claims and claim adjustment expenses are shown below (in thousands):

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,					As of December 31, 2016	
Accident Year	**2012***	**2013***	**2014***	**2015***	**2016**	**IBNR Plus Expected Development**	**Cumulative Number of Reported Claims**
2012	47,085	58,082	54,285	54,193	54,183	3	67,043
2013		40,970	51,725	46,940	46,995	5	63,614
2014			38,102	67,545	62,802	10	51,456
2015				34,069	45,167	3,789	44,572
2016					36,198	11,002	35,709
				Total	$ 245,345		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,				
Accident Year	**2012***	**2013***	**2014***	**2015***	**2016**
2012	32,701	54,252	54,094	54,115	54,120
2013		28,071	46,780	46,860	46,939
2014			25,436	62,632	62,678
2015				23,574	41,491
2016					24,357
				Total	$ 229,585
All outstanding liabilities before 2012, net of reinsurance*					7,308
Liabilities for claims and claim adjustment expenses, net of reinsurance					$ 23,068

* Unaudited supplemental information

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Note 12 Liability for Unpaid Claims and Claim Adjustment Expenses (Continued)

The following table is supplementary information. 10 year average annual percentage payout of incurred claims is shown below:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Auto Liability	35.5%	28.1%	15.5%	9.6%	5.2%	2.5%	0.8%	0.5%	0.5%	1.8%
Non-Auto Liability	19.9%	19.4%	15.2%	13.1%	8.3%	5.6%	2.5%	2.2%	1.2%	12.6%
Commercial Multi-Peril	33.8%	14.3%	10.7%	12.5%	10.5%	6.4%	3.3%	1.1%	1.0%	6.4%
Homeowners	76.2%	18.5%	2.2%	0.9%	0.5%	0.2%	0.1%	0.1%	0.1%	1.2%
Short Tail Property	90.3%	9.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Credit	76.6%	23.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Note 13 Reinsurance

American National reinsures portions of certain life insurance policies to provide a greater diversification of risk and manage exposure on larger risks. For the issue ages zero to 65, the maximum amount that would be retained by one life insurance company (American National) would be $1.5 million individual life, $250,000 individual accidental death, $100,000 group life, and $125,000 credit life. If individual, group and credit insurance were all in force at the same time, the maximum risk on any one life aged zero to 65 could be $1.975 million. For the issue ages 66 and over, the maximum amount that would be retained by one life insurance company (American National) would be $700,000 individual life, $250,000 individual accidental death, $100,000 group life, and $125,000 credit life. If individual, group and credit insurance were all in force at the same time, the maximum risk on any one life aged over 65 could be $1.175 million.

For the Property and Casualty segment, American National retains the first $500,000 of loss per workers compensation risk and $1.5 million of loss per non-workers compensation risk. Workers compensation reinsurance coverage for losses between $500,000 and $1 million follows satisfaction of a $2 million annual aggregate deductible. Reinsurance covers up to $6 million of property and liability losses per risk. Additional excess property per risk coverage is purchased to cover risks up to $20 million, and excess casualty clash coverage is purchased to cover losses up to $60 million. Excess casualty clash covers losses incurred as a result of one casualty event involving multiple policies, excess policy limits, and extra contractual obligations. Facultative reinsurance is purchased for individual risks attaching at $20 million, as needed. Corporate catastrophe coverage is in place for losses up to a $500 million event. Catastrophe aggregate reinsurance coverage is also purchased. This coverage is provided by two contracts. The first contract provides for $30 million of coverage after $90 million of aggregated catastrophe losses has been reached. The first $10 million of each catastrophe loss contributes to the $90 million aggregation of losses. The second aggregate contract is the Stretch & Aggregate cover. It consists of a $35 million annual limit available either wholly or in part across two layers. The first layer is 8.75% of $400 million excess of $100 million on an occurrence basis. The second layer provides aggregate protection with subject loss of $35 million excess of $5 million of each catastrophe. Recoveries follow satisfaction of a $45 million annual aggregate deductible. This cover was placed on July 1, 2016. American National expects to place the cover again on July 1, 2017.

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Note 13 Reinsurance (Continued)

American National remains primarily liable with respect to any reinsurance ceded, and would bear the entire loss if the reinsurer does not meet their obligations under any reinsurance treaties. American National had amounts recoverable from reinsurers of $401,709,000 and $413,881,000 at December 31, 2016 and 2015, respectively. None of the amount outstanding at December 31, 2016 is the subject of litigation or is in dispute with the reinsurers involved. Management believes the unfavorable resolution of any dispute that may arise would not have a material impact on American National s consolidated financial statements.

The amounts in the consolidated financial statements include the impact of reinsurance. Information regarding the effect of reinsurance is shown below (in thousands):

	Years ended December 31,		
	2016	**2015**	**2014**
Direct premiums	$ 2,246,595	$ 2,069,434	$ 2,049,447
Reinsurance premiums assumed from other companies	194,910	188,368	227,076
Reinsurance premiums ceded to other companies	(444,857)	(419,283)	(460,552)
Net premiums	**$ 1,996,648**	**$ 1,838,519**	**$ 1,815,971**

Life insurance in-force and related reinsurance amounts are shown below (in thousands):

	December 31,		
	2016	**2015**	**2014**
Direct life insurance in-force	$ 95,439,425	$ 90,194,532	$ 85,570,057
Reinsurance risks assumed from other companies	181,655	120	6,007
Reinsurance risks ceded to other companies	(29,980,485)	(29,891,183)	(30,007,131)
Net life insurance in-force	**$ 65,640,595**	**$ 60,303,469**	**$ 55,568,933**

Note 14 Federal Income Taxes

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

	Years ended December 31,					
	2016		2015		2014	
	Amount	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**
Income tax on pre-tax income	$ 89,732	35.0 %	$ 121,134	35.0 %	$ 115,061	35.0 %
Tax-exempt investment income	(7,834)	(3.1)	(7,589)	(2.2)	(6,680)	(2.0)
Deferred tax change	6,699	2.6				
Dividend exclusion	(8,490)	(3.3)	(8,183)	(2.4)	(7,620)	(2.3)
Miscellaneous tax credits, net	(9,993)	(3.9)	(9,103)	(2.6)	(7,888)	(2.4)
Low income housing tax credit expense	4,795	1.9	4,862	1.4	4,583	1.4
Other items, net	(3,885)	(1.5)	2,599	0.8	(842)	(0.3)
Provision for federal income tax before interest expense	71,024	27.7	103,720	30.0	96,614	29.4
Interest expense	2,686	1.1				
Total	$ 73,710	28.8 %	$ 103,720	30.0 %	$ 96,614	29.4 %

American National made income tax payments of $33,367,000, $80,759,000 and $61,821,000 during 2016, 2015, and 2014, respectively.

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Note 14 Federal Income Taxes (Continued)

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

	December 31, 2016	December 31, 2015
DEFERRED TAX ASSETS		
Invested assets, principally due to impairment losses	$ 41,982	$ 84,061
Investment in real estate and other invested assets, principally due to investment valuation allowances	10,028	7,867
Policyholder funds, principally due to policy reserve discount	159,351	181,003
Policyholder funds, principally due to unearned premium reserve	35,207	33,214
Participating policyholders surplus	54,023	50,648
Pension	57,388	77,976
Commissions and other expenses	6,563	7,003
Other assets	37,250	33,150
Tax carryforwards	278	
Gross deferred tax assets	**402,070**	**474,922**
DEFERRED TAX LIABILITIES		
Marketable securities, principally due to net unrealized gains	329,464	265,577
Investment in bonds, principally due to differences between GAAP and tax basis	20,875	19,047
Deferred policy acquisition costs, due to difference between GAAP and tax amortization methods	342,888	355,416
Property, plant and equipment, principally due to difference between GAAP and tax depreciation methods	27,490	23,636
Other liabilities	48,840	30,541
Gross deferred tax liabilities	**769,557**	**694,217**
Total net deferred tax liability	**$ 367,487**	**$ 219,295**

Management believes that a sufficient taxable income will be achieved over time to utilize the deferred tax assets in the consolidated federal tax return; therefore, no valuation allowance was recorded as of December 31, 2016 and 2015. There are no ordinary loss tax carryforwards that will expire by December 31, 2017.

American National s federal income tax returns for years 2013 to 2015 and years 2005 to 2009 are subject to examination by the Internal Revenue Service. In the opinion of management, all prior year deficiencies have been paid or adequate provisions have been made for any tax deficiencies that may be upheld. No provision for penalties was established; however, management has accrued interest in the amount of $2.7 million, net of tax, during 2016 relating to a dispute with the Internal Revenue Service. Management does not believe there are any uncertain tax benefits that could be recognized within the next twelve months that would decrease American National s effective tax rate.

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Note 15 Accumulated Other Comprehensive Income

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

	Net Unrealized Gains (Losses) on Securities	Defined Benefit Pension Plan Adjustments	Foreign Currency Adjustments	AOCI
Balance at December 31, 2013	**$ 457,937**	**$ (43,884)**	**$ (341)**	**$ 413,712**
Amounts reclassified from AOCI (net of tax benefit $12,379 and expense $1,547)	(22,990)	2,873		(20,117)
Unrealized holding gains arising during the period (net of tax expense $79,535)	147,709			147,709
Unrealized adjustment to DAC (net of tax benefit $5,986)	(8,625)			(8,625)
Unrealized gains on investments attributable to participating policyholders interest (net of tax benefit $3,166)	(5,880)			(5,880)
Actuarial loss arising during the period (net of tax benefit of $18,880)		(35,063)		(35,063)
Foreign currency adjustment (net of tax benefit $514)			(954)	(954)
Balance at December 31, 2014	**568,151**	**(76,074)**	**(1,295)**	**490,782**
Amounts reclassified from AOCI (net of tax benefit $12,845 and expense $3,429)	(23,856)	6,368		(17,488)
Unrealized holding losses arising during the period (net of tax benefit $72,711)	(135,035)			(135,035)
Unrealized adjustment to DAC (net of tax expense $20,786)	38,554			38,554
Unrealized losses on investments attributable to participating policyholders interest (net of tax expense $3,026)	5,620			5,620
Actuarial loss arising during the period (net of tax benefit of $15,175)		(28,183)		(28,183)
Foreign currency adjustment (net of tax benefit $878)			(1,630)	(1,630)
Balance at December 31, 2015	**453,434**	**(97,889)**	**(2,925)**	**352,620**
Amounts reclassified from AOCI (net of tax benefit $7,705 and expense $4,438)	(14,308)	8,242		(6,066)

Unrealized holding gains arising during the period (net of tax expense $71,859)		133,451					133,451
Unrealized adjustment to DAC (net of tax benefit $10,318)		(18,756)					(18,756)
Unrealized gains on investments attributable to participating policyholders interest (net of tax benefit $3,599)		(6,683)					(6,683)
Actuarial gain arising during the period (net of tax expense of $562)				1,044			1,044
Foreign currency adjustment (net of tax expense $156)						289	289
Balance at December 31, 2016	**$**	**547,138**	**$**	**(88,603)**	**$**	**(2,636)**	**$ 455,899**

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Note 16 Stockholders Equity and Noncontrolling Interests

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

	Years ended December 31, 2016	2015	2014
Common stock			
Shares issued	30,832,449	30,832,449	30,832,449
Treasury shares	(3,917,933)	(3,937,993)	(3,960,507)
Outstanding shares	**26,914,516**	**26,894,456**	**26,871,942**
Restricted shares	(76,000)	(76,000)	(142,667)
Unrestricted outstanding shares	**26,838,516**	**26,818,456**	**26,729,275**

Stock-based compensation

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

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

	SAR Shares	SAR Weighted-Average Grant Date Fair Value	RS Shares Shares	RS Shares Weighted-Average Grant Date Fair Value	RS Units Units	RS Units Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2013	**74,435**	**$ 114.08**	**190,667**	**$ 107.54**	**121,369**	**$ 76.23**
Granted					66,383	113.49
Exercised	(3,226)	95.54	(48,000)	108.00	(59,438)	76.53
Forfeited					(100)	113.49
Expired	(16,279)	115.11				
	54,930	**114.86**	**142,667**	**107.39**	**128,214**	**95.82**

Outstanding at December 31, 2014										
Granted							83,093		104.75
Exercised	(116)		73.97	(66,667)		103.58	(75,119)		91.35
Forfeited							(463)		105.30
Expired	(16,722)		114.42						
Outstanding at December 31, 2015	**38,092**		**115.18**	**76,000**		**110.73**	**135,725**		**103.73**
Granted							36,849		103.58
Exercised	(15,375)		114.07				(66,581)		100.06
Forfeited							(5,548)		106.10
Expired	(16,564)		116.88						
Outstanding at December 31, 2016	**6,153**	**$**	**113.36**	**76,000**	**$**	**110.73**	**100,445**	**$**	**105.97**

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Note 16 Stockholders Equity and Noncontrolling Interests (Continued)

	SAR	RS Shares	RS Units
Weighted-average contractual remaining life (in years)	0.94	2.94	1.61
Exercisable shares	6,153	N/A	N/A
Weighted-average exercise price	$ 113.36	$ 110.73	$ 105.97
Weighted-average exercise price exercisable shares	113.36	N/A	N/A
Compensation expense (credit)			
Year ended December 31, 2016	$ 179,000	$ 843,000	$ 6,539,000
Year ended December 31, 2015	(72,000)	1,147,000	6,635,000
Year ended December 31, 2014	(23,000)	2,963,000	7,710,000
Fair value of liability award			
December 31, 2016	$ 213,000	N/A	$ 23,634,000
December 31, 2015	37,000	N/A	19,415,000

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

RS awards entitle the participant to full dividend and voting rights. Each RS share awarded has the value of one share of restricted stock and vests 10 years from the grant date. Unvested shares are restricted as to disposition, and are subject to forfeiture under certain circumstances. Compensation expense is recognized over the vesting period. The restrictions on these awards lapse after 10 years and most of these awards feature a graded vesting schedule in the case of the retirement, death or disability of an award holder. Restricted stock awards for 350,334 shares have been granted at an exercise price of zero, of which 76,000 shares are unvested.

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

Earnings per share

Basic earnings per share were calculated using a weighted average number of shares outstanding. Diluted earnings per share include RS and RSU award shares.

	Years ended December 31,		
	2016	**2015**	**2014**
Weighted average shares outstanding	26,908,570	26,876,522	26,802,841
Incremental shares from RS awards and RSUs	58,502	73,544	115,829
Total shares for diluted calculations	**26,967,072**	**26,950,066**	**26,918,670**

Net income attributable to American National (in thousands)	$	181,003	$	242,988	$	245,335
Basic earnings per share	$	6.73	$	9.04	$	9.15
Diluted earnings per share		6.71		9.02		9.11

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Note 16 Stockholders Equity and Noncontrolling Interests (Continued)

Statutory Capital and Surplus

Risk Based Capital (RBC) is a measure insurance regulators use to evaluate the capital adequacy of American National Insurance Company and its insurance subsidiaries. RBC is calculated using formulas applied to certain financial balances and activities that consider, among other things, investment risks related to the type and quality of investments, insurance risks associated with products and liabilities, interest rate risks and general business risks. Insurance companies that do not maintain capital and surplus at a level at least 200% of the authorized control level RBC are required to take certain actions. At December 31, 2016 and 2015, American National Insurance Company s statutory capital and surplus was $2,985,909,000 and $2,925,935,000, respectively. American National Insurance Company and each of its insurance subsidiaries had statutory capital and surplus at December 31, 2016 and 2015, substantially above 200% of the authorized control level.

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

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

One of American National s insurance subsidiaries has been granted a permitted practice from the Missouri Department of Insurance to record as the valuation of its investment in a wholly-owned subsidiary that is the attorney-in-fact for a Texas domiciled insurer, the statutory capital and surplus of the Texas domiciled insurer. This permitted practice increases the statutory capital and surplus of both American National Insurance Company and the Missouri domiciled insurance subsidiary by $67,858,000 and $67,076,000 at December 31, 2016 and 2015, respectively. Additionally, the statutory capital and surplus of both American National Insurance Company and the Missouri domiciled insurance subsidiary would have remained substantially above the company action level RBC had it not used the permitted practice.

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Note 16 Stockholders Equity and Noncontrolling Interests (Continued)

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

	December 31, 2016	December 31, 2015
Statutory capital and surplus		
Life insurance entities	$ 1,921,171	$ 1,900,939
Property and casualty insurance entities	1,074,525	1,033,942

	Years ended December 31, 2016	2015	2014
Statutory net income			
Life insurance entities	$ 82,101	$ 136,170	$ 169,823
Property and casualty insurance entities	48,378	71,823	73,076

Dividends

American National Insurance Company s payment of dividends to stockholders is restricted by statutory regulations. The restrictions require life insurance companies to maintain minimum amounts of capital and surplus, and in the absence of special approval, limit the payment of dividends to the greater of the prior year s statutory net income from operations, or 10% of prior year statutory surplus. American National Insurance Company is permitted to pay total dividends of $298,591,000 during 2017, without prior approval of the Texas Department of Insurance. Similar restrictions on amounts that can transfer in the form of dividends, loans, or advances to American National Insurance Company apply to its insurance subsidiaries.

Noncontrolling interests

American National County Mutual Insurance Company (County Mutual) is a mutual insurance company that is owned by its policyholders. American National has a management agreement that effectively gives it control of County Mutual. As a result, County Mutual is included in the consolidated financial statements of American National. Policyholder interests in the financial position of County Mutual are reflected as noncontrolling interest of $6,750,000 at December 31, 2016 and 2015.

American National Insurance Company and its subsidiaries exercise significant control or ownership of various joint ventures, resulting in their consolidation into American National s consolidated financial statements. The interests of the other partners in the consolidated joint ventures are shown as noncontrolling interests of $2,567,000 and $3,439,000 at December 31, 2016 and 2015, respectively.

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Note 17 Segment Information

Management organizes the business into five operating segments:

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

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

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

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

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

The accounting policies of the segments are the same as those described in Note 2 to the consolidated financial statements. All revenues and expenses specifically attributable to policy transactions are recorded directly to the appropriate operating segment. Revenues and expenses not specifically attributable to policy transactions are allocated to each segment as follows:

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

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

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

The following summarizes the results of operations measured as the income before federal income taxes, and equity in earnings of unconsolidated affiliates by operating segments (in thousands):

	Years ended December 31,		
	2016	2015	2014
Life	$ 28,116	$ 33,453	$ 43,352
Annuity	75,619	59,955	95,736
Health	1,312	1,925	25,559
Property and Casualty	34,554	68,990	89,632
Corporate and Other	59,576	104,365	74,467
Total	**$ 199,177**	**$ 268,688**	**$ 328,746**

The following summarizes total assets by operating segments (in thousands):

	Years ended December 31,		
	2016	2015	2014
Total Assets		(As Revised)	(As Revised)
Life	$ 5,921,208	$ 5,718,553	$ 5,565,791
Annuity	11,310,936	10,888,447	10,766,619
Health	472,369	463,600	489,873
Property and Casualty	2,046,303	2,040,102	1,992,741
Corporate and other	4,782,406	4,655,854	4,750,812
Total	**$ 24,533,222**	**$ 23,766,556**	**$ 23,565,836**

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Note 18 Pension and Postretirement Benefits

Savings plans

American National sponsors a qualified defined contribution (401(k) plan) for all employees, and non-qualified defined contribution plans for certain employees whose otherwise eligible earnings exceed the statutory limits under the qualified plans. The total expense associated with these plans was $13,658,000, $12,146,000, and $12,350,000 for 2016, 2015, and 2014, respectively.

Pension benefits

American National sponsors qualified and non-qualified defined benefit pension plans each of which have been frozen. As such, no additional benefits are accrued through these plans for additional years of service credit or future salary increase credit, and no new participants are added to the plans. Benefits earned by eligible employees prior to the plans being frozen have not been affected. Early in 2017, the Company commenced a one- time window offering to terminated, vested participants of our qualified defined benefit pension plans. The offer allows participants to take a lump sum or annuity payout which will be funded from pension plan assets.

The qualified pension plans are noncontributory. The plans provide benefits for salaried and management employees and corporate clerical employees subject to a collective bargaining agreement based on years of service and employee compensation. The non-qualified pension plans cover key employees and restore benefits that would otherwise be curtailed by statutory limits on qualified plan benefits.

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

	2016	2015
Reconciliation of benefit obligation		
Obligation at January 1,	$ 524,143	$ 513,151
Service cost	59	97
Interest cost on projected benefit obligation	20,690	18,721
Actuarial loss	3,684	21,451
Benefits paid	(35,044)	(29,277)
Obligation at December 31,	513,532	524,143
Reconciliation of fair value of plan assets		
Fair value of plan assets at January 1,	322,563	324,179
Actual return on plan assets	27,305	(1,051)
Employer contributions	52,409	28,712
Benefits paid	(35,044)	(29,277)
Fair value of plan assets at December 31,	367,233	322,563
Funded status at December 31,	**$ (146,299)**	**$ (201,580)**

The components of net periodic benefit cost for the defined benefit pension plans are shown below (in thousands):

	Years ended December 31,		
	2016	**2015**	**2014**
Service cost	$ 59	$ 97	$ 111
Interest cost	20,690	18,721	20,612
Expected return on plan assets	(22,013)	(20,856)	(20,402)
Amortization of net actuarial loss	12,680	9,797	4,421
Net periodic benefit cost	**$ 11,416**	**$ 7,759**	**$ 4,742**

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Note 18 Pension and Postretirement Benefits (Continued)

Amounts related to the defined benefit pension plans recognized as a component of OCI are shown below (in thousands):

	Years ended December 31,		
	2016	2015	2014
Actuarial gain (loss)	$ 14,286	$ (33,562)	$ (49,523)
Deferred tax (expense) benefit	(5,000)	11,747	17,333
Other comprehensive income (loss), net of tax	**$ 9,286**	**$ (21,815)**	**$ (32,190)**

The estimated actuarial loss for the plan that will be amortized out of AOCI into the net periodic benefit cost over the next fiscal year is $11,587,000. Amounts recognized as a component of AOCI that have not been recognized as a component of the combined net periodic benefit cost of the defined benefit pension plans, are shown below (in thousands):

	Years ended December 31,	
	2016	2015
Net actuarial loss	$ (136,312)	$ (150,598)
Deferred tax benefit	47,709	52,709
Amounts included in AOCI	**$ (88,603)**	**$ (97,889)**

The weighted average assumptions used are shown below:

	Used for Net Benefit Cost in Fiscal Year 1/1/2016 to 12/31/2016	Used for Benefit Obligations as of 12/31/2016
Discount rate	4.08%	3.92%
Long-term rate of return	7.41	7.42

American National s funding policy for the qualified pension plans is to make annual contributions to meet the minimum funding standards of ERISA. American National contributed $40,090,000, $18,630,000, and $12,482,500 to the qualified pension plans in 2016, 2015 and 2014, respectively. American National and its affiliates expect to contribute $20,000,000 to its qualified plans in 2017. The benefits paid from the non-qualified plans were

$12,319,000, $10,082,000 and $8,615,000 in 2016, 2015 and 2014, respectively. Future payments from the non-qualified pension benefit plans will be funded out of general corporate assets.

The following table shows pension benefit payments, expected to be paid (in thousands). The amount for 2017 includes an estimate for possible lump sum payments associated with the aforementioned one time window offering.

2017	$ 59,475
2018	30,871
2019	34,839
2020	30,340
2021	33,919
2022-2026	158,224

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Note 18 Pension and Postretirement Benefits (Continued)

American National utilizes third-party pricing services to estimate fair value measurements of its pension plan assets. Refer to Note 9 for further information concerning the valuation methodologies and related inputs utilized by the third-party pricing services. The fair values of the pension plan assets by asset category are shown below (in thousands):

	December 31, 2016			
	Total	**Level 1**	**Level 2**	**Level 3**
Asset Category				
U.S. states and political subdivision securities	$ 1,952	$	$ 1,952	$
Corporate debt securities	58,462		58,462	
Residential mortgage-backed securities	616		616	
Mutual fund	9,405	9,405		
Equity securities by sector				
Consumer goods	53,252	53,252		
Energy and utilities	28,602	28,602		
Finance	51,842	51,842		
Healthcare	27,501	27,501		
Industrials	17,035	17,035		
Information technology	33,992	33,992		
Other	30,042	30,042		
Commercial paper	49,111		49,111	
Unallocated group annuity contract	4,742		4,742	
Other	679	592	87	
Total	**$ 367,233**	**$ 252,263**	**$ 114,970**	**$**

	December 31, 2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Asset Category				
Corporate debt securities	$ 41,365	$	$ 41,365	$
Residential mortgage-backed securities	803		803	
Mutual fund	9,405	9,405		
Equity securities by sector				
Consumer goods	50,485	50,485		
Energy and utilities	22,525	22,525		
Finance	47,469	47,469		
Healthcare	2,306	2,306		
Industrials	29,050	29,050		

Information technology	16,522	16,522		
Other	65,410	65,410		
Commercial paper	30,511		30,511	
Unallocated group annuity contract	5,763		5,763	
Other	949	862	87	
Total	**$ 322,563**	**$ 244,034**	**$ 78,529**	**$**

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Note 18 Pension and Postretirement Benefits (Continued)

The investment policy for the 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 and cash equivalents as necessary for liquidity, debt securities up to 100% and equity securities up to 75% of the total invested plan assets. The amount invested in any particular investment is limited based on credit quality, and no single investment may at the time of purchase be more than 5% of the total invested assets.

The corporate debt securities category are investment grade bonds of U.S and foreign issuers denominated and payable in U.S. dollars from diverse industries, with a maturity of 1 to 30 years. Foreign bonds in the aggregate shall not exceed 20% of the bond portfolio. Residential mortgage-backed securities represent asset-backed securities with a maturity date 1 to 30 years with a rating of NAIC 1 or 2.

Equity portfolio managers have discretion to choose the degree of concentration in various issues and industry sectors for the equity securities. Permitted securities are those for which there is an active market providing liquidity for the specific security.

Commercial paper investments generally have a credit rating of A2 Moody s or P2 by Standard & Poor s with at least BBB rating on the issuer s outstanding debt, or selected issuers with no outstanding debt.

Postretirement life and health benefits

American National sponsors a contributory health and dental benefit plan to a closed block of retirees and their dependents who met certain age and length of service requirements as of December 31, 1993. The primary retiree health benefit plan provides Medicare Supplemental and prescription drug benefits. American National s contribution is limited to $40 per month for retirees and spouses. Since American National s contributions to the cost of the retiree benefits plans are fixed, the health care cost trend rate will have no effect on the future expense or the accumulated postretirement benefit obligation. Under American National s 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.

The accrued postretirement benefit obligation, included in the liability for retirement benefits, was $6,197,000 and $6,055,000 at December 31, 2016 and 2015, respectively. These amounts were approximately equal to the unfunded accumulated postretirement benefit obligation.

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Note 19 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, 2016 were approximately $5,086,000.

American National had aggregate commitments at December 31, 2016, to purchase, expand or improve real estate, to fund fixed interest rate mortgage loans, and to purchase other invested assets of $787,077,000 of which $538,260,000 is expected to be funded in 2017 with the remainder funded in 2018 and beyond.

American National has a $100,000,000 short-term variable rate borrowing facility containing a $55,000,000 sub-feature for the issuance of letters of credit. Borrowings under the facility are at the discretion of the lender and would be used only for funding working capital requirements. The combination of borrowings and outstanding letters of credit cannot exceed $100,000,000 at any time. As of December 31, 2016 and 2015, the outstanding letters of credit were $9,473,000 and $9,501,000, respectively, and there were no borrowings on this facility. This facility expires on October 30, 2017. American National expects it will be renewed on substantially equivalent terms upon expiration.

Guarantees

American National has guaranteed bank loans for customers of a third-party marketing operation. The bank loans are used to fund premium payments on life insurance policies issued by American National. The loans are secured by the cash values of the life insurance policies. If the customer were to default on the bank loan, American National would be obligated to pay off the loans. As the cash values of the life insurance policies always equal or exceed the balance of the loans, management does not foresee any loss on these guarantees. The total amount of the guarantees outstanding as of December 31, 2016, was approximately $206,376,000, while the total cash value of the related life insurance policies was approximately $209,785,000.

Litigation

American National and certain subsidiaries, in common with the insurance industry in general, are defendants in various lawsuits concerning alleged breaches of contracts, various employment matters, allegedly deceptive insurance sales and marketing practices, and miscellaneous other causes of action arising in the ordinary course of operations. Certain of these lawsuits include claims for compensatory and punitive damages. We provide accruals for these items to the extent we deem the losses probable and reasonably estimable. After reviewing these matters with legal counsel, based upon information presently available, management is of the opinion that the ultimate resultant liability, if any, would not have a material adverse effect on American National s consolidated financial position, liquidity or results of operations; however, assessing the eventual outcome of litigation necessarily involves forward-looking speculation as to judgments to be made by judges, juries and appellate courts in the future.

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

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Note 20 Related Party Transactions

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

		Dollar Amount of Transactions		Amount due to (from) American National	
		Years ended December 31,		December 31,	
Related Party	**Financial Statement Line Impacted**	**2016**	**2015**	**2016**	**2015**
Gal-Tex Hotel Corporation	Mortgage loan on real estate	$ 1,426	$ 1,326	$ 3,756	$ 5,182
Gal-Tex Hotel Corporation	Net investment income	329	428	23	31
Greer, Herz & Adams, LLP	Other operating expenses	9,315	7,951	(283)	(274)

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

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

Note 21 Selected Quarterly Financial Data

The unaudited selected quarterly financial data is shown below (in thousands, except per share data):

	Three months ended							
	March 31,		June 30,		September 30,		December 31,	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Total premiums and other revenues	$ 764,970	$ 756,567	$ 800,448	$ 717,506	$ 823,142	$ 699,859	$ 839,391	$ 843,523
Total benefits, losses and expenses	741,462	665,208	760,168	668,099	775,420	653,199	751,724	762,261
Income before federal income tax and equity in earnings of unconsolidated affiliates	23,508	91,359	40,280	49,407	47,722	46,660	87,667	81,262
Total provision (benefit) for federal income taxes	(4,070)	45,690	9,890	15,210	22,590	18,134	45,300	24,686

Equity in earnings (losses) of unconsolidated affiliates	937	56,584	1,798	462	36,530	16,339	17,935	4,023
Net income	28,515	102,253	32,188	34,659	61,662	44,865	60,302	60,599
Net income (loss) attributable to noncontrolling interest	(801)	(729)	(437)	(394)	2,373	2,852	529	(2,341)
Net income attributable to American National	29,316	102,982	32,625	35,053	59,289	42,013	59,773	62,940
Earnings per share attributable to American National								
Basic	1.09	3.84	1.21	1.30	2.20	1.56	2.23	2.34
Diluted	1.09	3.82	1.21	1.30	2.20	1.56	2.21	2.34

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) that are designed to provide reasonable assurance that information required to be disclosed in the Company s reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Form 10-K, the Company carried out an evaluation under the supervision of and with the participation of the Company s management, including the Chief Executive Officer and Chief Financial Officer, as of December 31, 2016, of the effectiveness of the design and operation of the Company s disclosure controls and procedures. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2016, the Company s disclosure controls and procedures were not effective because of the material weaknesses in the Company s internal controls described below.

The Company identified a control deficiency related to deferred income taxes in the first quarter of 2016 and at that time it was assessed as a significant deficiency. We developed a remediation plan at the time. We have designed and implemented certain new internal controls in an effort to remediate the material weaknesses described below, but there is not yet adequate evidence over a reasonable period of time to determine that new processes, procedures, controls and oversight relating to such new controls are effective. As a result, we concluded that the material weaknesses were not fully remediated as of December 31, 2016.

In light of the material weaknesses in internal control over financial reporting, we engaged significant internal and external resources to perform supplemental procedures prior to filing this Annual Report on Form 10-K. These additional procedures allow us to conclude that, notwithstanding the material weaknesses in our internal control over financial reporting, the consolidated financial statements included in this report fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States of America.

No system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls will be met, and no evaluation of controls can provide absolute assurance that all control deficiencies or material weaknesses have been or will be detected. As described above in Item 1A: Risk Factors, if the Company s remediation efforts do not prove effective and control deficiencies and material weaknesses persist or occur in the future, the accuracy and timing of our financial reporting may be adversely affected.

Management s Annual Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Management, including the Chief Executive Officer and Chief Financial Officer, has conducted an assessment, including testing, of the effectiveness of the Company s internal control over financial reporting as of December 31, 2016, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control An Integrated Framework* (2013). Based on this evaluation, management has concluded that our internal control over financial reporting was not effective as of December 31, 2016, because of material weaknesses in our internal controls over deferred income taxes and over collateral relating to our use of equity option derivatives. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The Company did not have effective processes, procedures and controls over the measurement and presentation of deferred income taxes. Specifically, the Company did not have effective manual and automated controls over the completeness and accuracy of the underlying tax basis of certain assets and liabilities contained in the information technology system.

The Company did not have effective processes, procedures and controls over the recognition and disclosure of the amount of the collateral posted by its equity option derivatives counterparties. Specifically, relevant investment contracts and their terms were not identified and communicated to the Accounting Department so that an analysis of the accounting implications could be completed.

The control deficiencies described above resulted in no misstatements in our consolidated financial statements as of and for the fiscal year ended December 31, 2016. However, immaterial revisions were made to certain balance sheet and statement of cash flows line items for prior years as described further in Note 2 to the notes to the consolidated financial statements. Moreover, these control deficiencies create a reasonable possibility that a material misstatement to our consolidated financial statements will not be prevented or detected on a timely basis. As a result, we concluded that the deficiencies represent material weaknesses in our internal control over financial reporting and that our internal control over financial reporting is not effective as of December 31, 2016.

Our independent registered public accounting firm, KPMG LLP, has expressed an adverse report on the operating effectiveness of our internal control over financial reporting. KPMG LLP s report appears on page 61 of this Form 10-K.

Remediation

The Company is committed to remediating the material weaknesses in a timely manner. We have begun the process of developing a remediation plan and executing changes in our financial reporting processes and related internal controls to address the material weaknesses in internal control over financial reporting described above. Specifically, we have begun and intend to continue to implement and monitor the following actions to accumulate adequate evidence over a reasonable period of time to determine that new or modified processes, procedures, controls and oversight relating to such controls are operating effectively.

Deferred Income Taxes

Engaging tax advisors to assist with enhancing internal controls over financial reporting for income taxes and developing and implementing a remediation plan;

Hiring accountants with more expertise in federal income taxes and providing additional income tax accounting training to tax and financial personnel;

Working with the investing and operating areas to enhance the quality of information, analysis, review and documentation provided to the tax department; and

Reviewing the new tax processes and system, including controls, with necessary Company personnel, including relevant internal bodies responsible for testing internal controls.

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Equity Option Derivatives Collateral

- Requiring notice of relevant facts from the investment area to Corporate Controllers when new investment arrangements or types are contemplated;

- In the event of any such new investment arrangements or types, requiring the Corporate Controllers area (with outside assistance when appropriate) to determine if existing accounting processes and policies are adequate and to specify new accounting processes as appropriate; and

- Verifying that the approved accounting is installed and operational by necessary Company personnel, including relevant internal bodies responsible for testing internal controls.

Changes in Internal Control over Financial Reporting

Except for the Company s identification and assessment of the material weaknesses described above, there were no changes in our internal control over financial reporting during our fourth fiscal quarter of 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference from our definitive proxy statement for our Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2016.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from our definitive proxy statement for our Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2016.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference from our definitive proxy statement for our Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2016.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference from our definitive proxy statement for our Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2016.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference from our definitive proxy statement for our Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2016.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements (See Item 8: Financial Statements and Supplementary Data)

(a)(2) Supplementary Data and Financial Statement Schedules are attached hereto at the following pages

All other schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes.

(b) Exhibits

Exhibit Number	Basic Documents
3.1	Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit No. 3.1 to the registrant s Registration Statement on Form 10-12B filed April 10, 2009).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit No. 3.2 to the registrant s Current Report on Form 8-K filed July 31, 2015).
4.1	Specimen copy of Stock Certificate (incorporated by reference to Exhibit No. 4.1 to the registrant s Registration Statement on Form 10-12B filed April 10, 2009).
10.1*	American National Insurance Company Amended and Restated 1999 Stock and Incentive Plan (the Stock and Incentive Plan)(incorporated by reference to Exhibit No. 10.2 to the registrant s Registration Statement on Form 10-12B filed April 10, 2009).
10.2*	Form of Restricted Stock Agreement for Directors under the Stock and Incentive Plan (incorporated by reference to Exhibit No. 10.3 to the registrant s Registration Statement on Form 10-12B filed April 10, 2009).
10.3*	Form of Restricted Stock Agreement for Employees (incorporated by reference to Exhibit No. 10.4 to the registrant s Registration Statement on Form 10-12B filed April 10, 2009).
10.4*	Form of Stock Appreciation Rights Agreement under the Stock and Incentive Plan (grants on or after May 3, 2010)(incorporated by reference to Exhibit No. 10.5 to the registrant s Annual Report on

Form 10-K filed March 2, 2011).

10.5*	Form of Stock Appreciation Rights Agreement under the Stock and Incentive Plan (grants prior to May 3, 2010)(incorporated by reference to Exhibit No. 10.5 to the registrant s Registration Statement on Form 10-12B filed April 10, 2009).

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10.6*	American National Insurance Company Nonqualified Retirement Plan for Certain Salaried Employees (incorporated by reference to Exhibit No. 10.6 to the registrant s Registration Statement on Form 10-12B filed April 10, 2009).
10.7*	Amendment to the American National Insurance Company Nonqualified Retirement Plan for Certain Salaried Employees (incorporated by reference to Exhibit No. 10.2 to the registra22nt s amended Current Report on Form 8-K/A filed on November 6, 2013).
10.8*	American National Insurance Company Nonqualified Retirement Plan (incorporated by reference to Exhibit No. 10.7 to the registrant s Registration Statement on Form 10-12B filed April 10, 2009).
10.9*	Amendment No. 4 to the American National Insurance Company Nonqualified Retirement Plan (incorporated by reference to Exhibit No. 10.8 to the registrant s Annual Report on Form 10-K filed March 2, 2011).
10.10*	Amendment No. 5 to the American National Insurance Company Nonqualified Retirement Plan (incorporated by reference to Exhibit No. 10.1 to the registrant s amended Current Report on Form 8-K/A filed on November 6, 2013).
10.11*	Form of Restricted Stock Unit Agreement for Officers under the Stock and Incentive Plan (grants on or after March 4, 2011)(incorporated by reference to Exhibit No. 10.1 to the registrant s Quarterly Report on Form 10-Q filed May 6, 2011).
10.12*	Form of Restricted Stock Unit Agreement for Directors under the Stock and Incentive Plan (incorporated by reference to Exhibit No. 10.2 to the registrant s Quarterly Report on Form 10-Q filed May 6, 2011).
10.13*	Form of Restricted Stock Unit Agreement for Officers under the Stock and Incentive Plan (grants prior to March 4, 2011)(incorporated by reference to Exhibit No. 10.9 to the registrant s Annual Report on Form 10-K filed March 2, 2011).
10.14*	American National Family of Companies Executive Supplemental Savings Plan (incorporated by reference to Exhibit No. 10.3 to the registrant s amended Current Report on Form 8-K/A filed on November 6, 2013).
10.15*	Amendments One and Two to the American National Family of Companies Executive Supplemental Savings plan (incorporated by reference to Exhibit No. 10.15 to the registrant s Quarterly Report on Form 10-Q filed on May 8, 2015).
10.16*	Form of Restricted Stock Unit Agreement for Executive Officers under the American National Insurance Company Amended and Restated 1999 Stock and Incentive Plan (grants on or after March 1, 2015) (incorporated by reference to Exhibit No. 10.16 to the registrant s Quarterly Report on Form 10-Q filed on May 8, 2015).
10.17*	Form of Restricted Stock Unit Agreement for Directors under the American National Insurance Company Amended and Restated 1999 Stock and Incentive Plan (grants on or after March 1, 2015) (incorporated by reference to Exhibit No. 10.17 to the registrant s Quarterly Report on Form 10-Q filed on May 8, 2015).
21	Subsidiaries (filed herewith).
23	Consent of KPMG LLP (filed herewith).

31.1	Certification of the principal executive officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002 (filed herewith).
31.2	Certification of the principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of the principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101	The following financial information from American National Insurance Company s Annual Report on Form 10-K for the year ended December 31, 2016 formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Statements of Financial Position, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Changes in Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to the Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN NATIONAL INSURANCE COMPANY

By: /s/ James E. Pozzi
Name: James E. Pozzi
Title: *Chairman of the Board, President and Chief Executive Officer*
(Principal Executive Officer)

Date: March 10, 2017

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated.

Signature	Title	Date
/s/ James E. Pozzi James E. Pozzi	Chairman of the Board, President and Chief Executive Officer *(Principal Executive Officer)*	March 10, 2017
/s/ John J. Dunn, Jr. John J. Dunn, Jr.	Executive Vice President, Chief Financial Officer *(Principal Financial Officer)*	March 10, 2017
/s/ William F. Carlton William F. Carlton	Senior Vice President, Corporate Controller	March 10, 2017
/s/ William C. Ansell William C. Ansell	Director	March 10, 2017
/s/ Arthur O. Dummer Arthur O. Dummer	Director	March 10, 2017
/s/ Frances A. Moody-Dahlberg Frances A. Moody-Dahlberg	Director	March 10, 2017

/s/ Ross R. Moody	Director	March 10, 2017
Ross R. Moody		
/s/ James P. Payne	Director	March 10, 2017
James P. Payne		
/s/ E.J. Pederson	Director	March 10, 2017
E.J. Pederson		
/s/ James D. Yarbrough James D. Yarbrough	Director	March 10, 2017

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AMERICAN NATIONAL INSURANCE COMPANY AND SUBSIDIARIES

SCHEDULE I SUMMARY OF INVESTMENTS OTHER THAN INVESTMENTS IN RELATED PARTIES

(In thousands)

	December 31, 2016		
Type of Investment	Cost or Amortized Cost (1)	Estimated Fair Value	Amount at Which Shown in the Consolidated Statement of Financial Position
Fixed maturities			
Bonds held-to-maturity			
U.S. states and political subdivisions	$ 301,994	$ 319,082	$ 301,994
Foreign governments	4,057	4,716	4,057
Corporate debt securities	6,711,508	6,925,978	6,711,508
Residential mortgage-backed securities	229,758	242,685	229,758
Collateralized debt securities	1,290	1,354	1,290
Other debt securities	2,778	2,877	2,778
Bonds available-for-sale			
U.S.treasury and government	25,062	25,640	25,640
U.S. states and political subdivisions	945,431	960,223	960,223
Foreign governments	5,000	6,567	6,567
Corporate debt securities	4,666,096	4,780,763	4,780,763
Residential mortgage-backed securities	18,588	20,513	20,513
Collateralized debt securities	5,574	6,392	6,392
Other debt securities	3,233	3,178	3,178
Equity securities			
Common stocks			
Consumer goods	145,402	314,031	314,031
Energy and utilities	102,421	166,983	166,983
Finance	154,241	321,592	321,592
Healthcare	80,320	195,828	195,828
Industrials	46,533	138,631	138,631
Information technology	113,334	264,613	264,613
Other	70,848	116,837	116,837
Preferred stocks	19,334	23,161	23,161
Other Investments			
Mortgage loans on real estate, net of allowance	4,348,046	4,435,530	4,348,046
Investment real estate, net of accumulated depreciation	536,675		536,675
Real estate acquired in satisfaction of debt	56,742		56,742
Policy loans	384,376	384,376	384,376
Options	73,312	156,479	156,479

Other long-term investments	(42,929)		(42,929)
Short-term investments	192,226	192,226	192,226
Total investments	**$ 19,201,250**	**$ 20,010,255**	**$ 20,227,952**

(1) Original cost of equity securities and, as to fixed maturity securities, original cost reduced by repayments and valuation write-downs and adjusted for amortization of premiums or accrual of discounts.

See accompanying Report of Independent Registered Public Accounting Firm.

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AMERICAN NATIONAL INSURANCE COMPANY (Parent Company Only)

SCHEDULE II CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(In thousands)

Condensed Statements of Financial Position	**December 31, 2016**	**December 31, 2015** (As Revised)
Assets		
Fixed maturity securities	$ 8,969,903	$ 9,341,563
Equity securities	4,585	2,690
Mortgage loans on real estate, net of allowance	4,190,357	3,386,231
Other invested assets	1,658,771	1,852,581
Investment in subsidiaries	2,646,281	2,431,398
Deferred policy acquisition costs	1,052,357	1,091,031
Separate account assets	941,612	918,446
Other assets	787,054	754,646
Total assets	**$ 20,250,920**	**$ 19,778,586**
Liabilities		
Policy liabilities	$ 4,027,973	$ 3,841,499
Policyholders account balances	10,006,609	9,943,694
Separate account liabilities	941,612	918,446
Other liabilities	622,548	622,665
Total liabilities	**15,598,742**	**15,326,304**
Shareholders equity		
Common stock	30,832	30,832
Additional paid-in capital	16,406	13,689
Accumulated other comprehensive income	455,899	352,620
Retained earnings	4,250,818	4,157,184
Treasury stock, at cost	(101,777)	(102,043)
Total stockholders equity	**4,652,178**	**4,452,282**
Total liabilities and stockholders equity	**$ 20,250,920**	**$ 19,778,586**

The condensed financial statements should be read in conjunction with the consolidated financial statements and notes therein.

See accompanying Report of Independent Registered Public Accounting Firm.

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AMERICAN NATIONAL INSURANCE COMPANY (Parent Company Only)

SCHEDULE II CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(In thousands)

	Years ended December 31,		
Condensed Statements of Operations	**2016**	**2015**	**2014**
Premiums and other revenues			
Premiums and other policy revenues	$ 987,994	$ 820,194	$ 786,823
Net investment income	713,589	672,093	772,355
Net realized investment gain	16,111	21,258	18,702
Other-than-temporary impairments	(10)	(60)	(41)
Other income	15,944	15,785	10,803
Total premiums and other revenues	**1,733,628**	**1,529,270**	**1,588,642**
Benefits, losses and expenses			
Policyholder benefits	749,179	615,180	574,975
Other operating expenses	848,063	764,913	812,762
Total benefits, losses and expenses	**1,597,242**	**1,380,093**	**1,387,737**
Income from continuing operations before federal income tax and equity in earnings of subsidiaries	**136,386**	**149,177**	**200,905**
Provision for federal income taxes	50,739	47,501	63,454
Equity in earnings of subsidiaries, net of tax	95,356	141,312	107,884
Net income	**$ 181,003**	**$ 242,988**	**$ 245,335**

The condensed financial statements should be read in conjunction with the consolidated financial statements and notes therein.

See accompanying Report of Independent Registered Public Accounting Firm.

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AMERICAN NATIONAL INSURANCE COMPANY (Parent Company Only)

SCHEDULE II CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(In thousands)

Condensed Statements of Cash Flows	Years ended December 31, 2016	2015 (As Revised)	2014 (As Revised)
OPERATING ACTIVITIES			
Net income	$ 181,003	$ 242,988	$ 245,335
Adjustments to reconcile net income to net cash provided by operating activities			
Net realized investments gains	(16,111)	(21,258)	(18,702)
Other-than-temporary impairments	10	60	41
Amortization (accretion) of premiums, discounts and loan origination fees	(7,675)	(2,293)	3,581
Net capitalized interest on policy loans and mortgage loans	(28,943)	(27,346)	(27,922)
Depreciation	28,510	24,716	21,822
Interest credited to policyholders account balances	297,526	263,362	324,325
Charges to policyholders account balances	(295,000)	(238,169)	(212,690)
Deferred federal income tax (benefit) expense	89,089	8,091	16,429
Net income of subsidiaries	(122,259)	(135,678)	(106,751)
Equity in (earnings) losses of affiliates	(5,985)	(5,634)	3,800
Distributions from equity method investments			408
Changes in			
Accrued investment income	351	6,995	9,801
Reinsurance recoverables	11,545	(14,778)	2,312
Prepaid reinsurance premiums	88	3,050	2,318
Premiums due and other receivables	(8,427)	2,331	3,873
Deferred policy acquisition costs	8,684	(13,323)	7,560
Policyholder liabilities	186,472	222,928	152,923
Liability for retirement benefits	(29,678)	(23,263)	(12,552)
Current tax receivable/payable	(24,833)	7,551	8,181
Other, net	(42,758)	(20,471)	(29,831)
Net cash provided by operating activities	221,609	279,859	394,261
INVESTING ACTIVITIES			
Proceeds from sale/maturity/prepayment of			
Held-to-maturity securities	382,390	827,234	452,846
Available for sale securities	282,834	340,274	625,563
Investment real estate	6,651	18,929	53,859

Mortgage loans	547,553	809,742	578,098
Policy loans	49,260	44,257	45,732
Other invested assets	28,155	71,469	40,791
Disposals of property and equipment	13,171	2,721	43,869
Distributions from affiliates and subsidiaries	9,909	15,958	439
Payment for the purchase/origination of			
Held-to-maturity securities	(60,639)	(336,902)	(287,694)
Available for sale securities	(161,534)	(744,480)	(572,299)
Investment real estate	(31,234)	(69,145)	(23,959)
Mortgage loans	(1,327,395)	(933,879)	(633,401)
Policy loans	(21,526)	(21,106)	(23,621)
Other invested assets	(65,965)	(37,958)	(43,423)
Additions to property and equipment	(39,856)	(24,352)	(56,651)
Contributions to unconsolidated affiliates	(40,404)	(47,130)	(1,035)
Change in short-term investments	207,546	(42,258)	4,518
Change in investment in subsidiaries	20,044	(20,782)	
Change in collateral held for derivatives	22,789	(65,160)	22,724
Other, net	17,167	(1,713)	36,302
Net cash provided by (used in) investing activities	(161,084)	(214,281)	262,658
FINANCING ACTIVITIES			
Policyholders account deposits	1,287,366	1,280,756	941,400
Policyholders account withdrawals	(1,229,039)	(1,337,668)	(1,479,004)
Dividends to stockholders	(87,741)	(84,446)	(82,805)
Net cash used in financing activities	(29,414)	(141,358)	(620,409)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,111	(75,780)	36,510
Beginning of the period	160,229	236,009	199,499
End of the period	$ 191,340	$ 160,229	$ 236,009

The condensed financial statements should be read in conjunction with the consolidated financial statements and notes therein.

See accompanying Report of Independent Registered Public Accounting Firm.

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AMERICAN NATIONAL INSURANCE COMPANY AND SUBSIDIARIES

SCHEDULE III SUPPLEMENTARY INSURANCE INFORMATION

(In thousands)

Segment	Deferred Policy Acquisition Cost	Future Policy Benefits, Policyholders Account Balances, Benefits, Policy and Contract Claims and Other Policyholder Funds	Unearned Premiums	Premium Revenue	Net Investment Income (1)	Benefits, Claims, Losses and Settlement Expenses	Amortization of Deferred Policy Acquisition Costs	Other Operating Expenses (2)	Premiums Written
2016									
Life	$ 745,840	$ 4,937,467	$ 35,133	$ 318,953	$ 227,923	$ 416,467	$ 112,712	$ 199,769	$
Annuity	394,208	10,821,889		248,714	500,726	294,917	71,381	53,054	
Health	40,620	272,802	43,155	175,589	9,942	131,828	14,973	43,263	
Property & Casualty	113,775	935,998	745,650	1,253,392	57,091	883,219	262,299	165,509	1,282,876
Corporate & Other					64,553			41,864	
Total	**$ 1,294,443**	**$ 16,968,156**	**$ 823,938**	**$ 1,996,648**	**$ 860,235**	**$ 1,726,431**	**$ 461,365**	**$ 503,459**	**$ 1,282,876**
2015									
Life	$ 756,023	$ 4,860,263	$ 35,810	$ 305,350	$ 226,076	$ 386,785	$ 77,567	$ 201,112	$
Annuity	411,206	10,410,157		183,125	459,458	230,221	81,793	54,037	
Health	44,390	293,325	43,558	196,777	10,135	146,805	23,643	45,047	
Property & Casualty	113,050	883,328	733,610	1,153,267	55,620	776,562	235,585	156,583	1,187,980
Corporate & Other					83,542			44,598	
Total	**$ 1,324,669**	**$ 16,447,073**	**$ 812,978**	**$ 1,838,519**	**$ 834,831**	**$ 1,540,373**	**$ 418,588**	**$ 501,377**	**$ 1,187,980**
2014									
Life	$ 711,469	$ 4,720,075	$ 35,524	$ 307,771	$ 232,389	$ 351,271	$ 78,181	$ 194,927	$
Annuity	382,441	10,286,205		190,357	545,887	234,173	79,135	56,487	
Health	47,784	316,684	46,137	216,868	11,692	144,799	18,966	43,261	

Property & Casualty	111,850	883,148	673,390	1,100,975	58,843	745,540	223,658	130,655	1,109,029
Corporate & Other					84,047			60,535	
Total	**$ 1,253,544**	**$ 16,206,112**	**$ 755,051**	**$ 1,815,971**	**$ 932,858**	**$ 1,475,783**	**$ 399,940**	**$ 485,865**	**$ 1,109,029**

(1) Net investment income from fixed income assets (bonds and mortgage loans on real estate) is allocated to insurance lines 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 policy loans is allocated to the insurance lines according to the amount of loans made by each line. Net investment income from all other assets is allocated to the insurance lines as necessary to support the equity assigned to that line with the remainder allocated to capital & surplus.

(2) Identifiable expenses are charged directly to the appropriate line of business. The remaining expenses are allocated to the lines based upon various factors including premium ratio within the respective lines.

See accompanying Report of Independent Registered Public Accounting Firm.

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AMERICAN NATIONAL INSURANCE COMPANY AND SUBSIDIARIES

SCHEDULE IV REINSURANCE INFORMATION

(In thousands)

	Direct Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
Year Ended December 31, 2016					
Life insurance in-force	$ 95,439,425	$ 29,980,485	$ 181,655	$ 65,640,595	0.3%
Premiums earned					
Life and annuity	$ 669,607	$ 104,128	$ 2,188	$ 567,667	0.4
Accident and health	227,691	235,807	183,705	175,589	104.6
Property and casualty	1,349,297	104,922	9,017	1,253,392	0.7
Total premiums	**$ 2,246,595**	**$ 444,857**	**$ 194,910**	**$ 1,996,648**	**9.8**
Year Ended December 31, 2015					
Life insurance in-force	$ 90,194,532	$ 29,891,183	$ 120	$ 60,303,469	0.0
Premiums earned					
Life and annuity	$ 590,131	$ 101,636	$ (20)	$ 488,475	0.0
Accident and health	241,140	224,623	180,260	196,777	91.6
Property and casualty	1,238,163	93,024	8,128	1,153,267	0.7
Total premiums	**$ 2,069,434**	**$ 419,283**	**$ 188,368**	**$ 1,838,519**	**10.2**
Year Ended December 31, 2014					
Life insurance in-force	$ 85,570,057	$ 30,007,131	$ 6,007	$ 55,568,933	0.0
Premiums earned					
Life and annuity	$ 594,568	$ 96,577	$ 137	$ 498,128	0.0
Accident and health	271,004	274,368	220,232	216,868	101.6
Property and casualty	1,183,875	89,607	6,707	1,100,975	0.6
Total premiums	**$ 2,049,447**	**$ 460,552**	**$ 227,076**	**$ 1,815,971**	**12.5%**

See accompanying Report of Independent Registered Public Accounting Firm.

AMERICAN NATIONAL INSURANCE COMPANY AND SUBSIDIARIES

SCHEDULE V VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

	Balance at Beginning of Period	Additions: Charged to Expense	Deductions: Written off	Deductions: Change in Estimate	Balance at End of Period
2016					
Investment valuation allowances:					
Mortgage loans on real estate	$ 12,895	$ 1,281	$ (1,686)	$	$ 12,490
2015					
Investment valuation allowances:					
Mortgage loans on real estate	$ 17,860	$ 220	$ (5,185)	$	$ 12,895
2014					
Investment valuation allowances:					
Mortgage loans on real estate	$ 12,181	$ 5,679	$	$	$ 17,860

See accompanying Report of Independent Registered Public Accounting Firm.