

AMERICAN NATIONAL INSURANCE CO /TX/

Form 10-Q

November 06, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2009
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number: 001-34280
AMERICAN NATIONAL INSURANCE COMPANY
(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of incorporation or organization)

74-0484030
(I.R.S. employer identification number)

One Moody Plaza
Galveston, Texas
(Address of principal executive offices)

77550-7999
(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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

As of October 30, 2009, the registrant had 26,820,166 shares of common stock, \$1.00 par value per share, outstanding.

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(Unaudited and in thousands, except for per share data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
PREMIUMS AND OTHER REVENUE				
Premiums:				
Life	\$ 76,320	\$ 75,569	\$ 211,638	\$ 222,583
Annuity	58,284	18,843	149,141	90,489
Accident and health	74,428	72,688	224,001	217,765
Property and casualty	298,073	292,747	866,989	885,941
Other policy revenues	45,292	45,049	133,740	130,494
Net investment income	222,266	209,269	630,126	612,725
Realized investments gains (losses)	3,252	3,243	(4,809)	20,374
Other-than-temporary impairments	(4,187)	(205,228)	(78,335)	(232,277)
Other income	6,619	9,913	27,643	29,641
Total revenues	780,347	522,093	2,160,134	1,977,735
BENEFITS, LOSSES AND EXPENSES				
Policy Benefits:				
Life	75,865	69,786	222,131	215,653
Annuity	63,776	25,433	170,584	111,137
Accident and health	57,217	51,531	178,983	166,581
Property and casualty	222,196	223,311	714,041	720,430
Interest credited to policy account balances	98,252	80,036	275,554	223,125
Commissions for acquiring and servicing policies	114,144	111,724	341,734	369,312
Other operating costs and expenses	128,181	145,434	359,721	396,148
Increase in deferred policy acquisition costs	(14,351)	(1,624)	(48,380)	(70,972)
Total benefits, losses and expenses	745,280	705,631	2,214,368	2,131,414
Income (loss) from continuing operations before federal income tax, and equity in earnings of unconsolidated affiliates				
	35,067	(183,538)	(54,234)	(153,679)
Provision (benefit) for federal income taxes:				
Current	4,564	6,849	(20,541)	(10,429)
Deferred	(1,335)	(68,807)	(18,029)	(52,336)
Total provision (benefit) for federal income taxes	3,229	(61,958)	(38,570)	(62,765)
Equity in earnings (losses) of unconsolidated affiliates, net of tax	2,110	(1,530)	(3,007)	6,466

Income (loss) from continuing operations	33,948	(123,110)	(18,671)	(84,448)
Loss from discontinued operations		(604)		(3,050)
Net income (loss)	33,948	(123,714)	(18,671)	(87,498)
Less: Net income attributable to noncontrolling interest	1,248	1,319	679	1,445
Net income (loss) attributable to American National Insurance Company and Subsidiaries	\$ 32,700	\$ (125,033)	\$ (19,350)	\$ (88,943)

Amounts attributable to American National Insurance Company common stockholders

Earnings (loss) per share:

Basic	\$ 1.23	\$ (4.72)	\$ (0.73)	\$ (3.36)
Diluted	\$ 1.23	\$ (4.69)	\$ (0.73)	\$ (3.34)

Unrestricted common shares outstanding	26,558,832	26,479,832	26,558,832	26,479,832
Unrestricted common shares outstanding and dilutive potential common shares	26,601,368	26,631,908	26,601,368	26,631,908

See accompanying notes to consolidated financial statements.

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AMERICAN NATIONAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited and in thousands)

	September 30, 2009	December 31, 2008
ASSETS		
Investments, other than investments in unconsolidated affiliates		
Fixed Securities:		
Bonds held-to-maturity	\$ 7,287,406	\$ 6,681,837
Bonds available-for-sale	4,188,674	3,820,837
Preferred stocks	30,555	48,822
Equity securities:		
Common stocks	991,835	853,530
Mortgage loans on real estate, net of allowance	2,096,286	1,877,053
Policy loans	360,596	354,398
Investment real estate, net of accumulated depreciation of \$204,333 and \$191,435	590,233	528,905
Short-term investments	650,482	295,170
Other invested assets	93,859	85,151
Total investments	16,289,926	14,545,703
Cash	93,367	66,096
Investments in unconsolidated affiliates	153,910	154,309
Accrued investment income	185,874	184,801
Reinsurance ceded receivables	405,971	482,846
Prepaid reinsurance premiums	56,540	61,433
Premiums due and other receivables	299,657	325,019
Deferred policy acquisition costs	1,337,152	1,482,664
Property and equipment, net	90,617	92,458
Current federal income taxes	19,287	68,327
Deferred federal income taxes	2,190	195,508
Other assets	153,150	159,254
Separate account assets	683,796	561,021
Total assets	\$ 19,771,437	\$ 18,379,439
LIABILITIES		
Policyholder funds		
Future policy benefits:		
Life	\$ 2,474,064	\$ 2,436,001
Annuity	738,825	664,136
Accident and health	96,604	96,548
Policy account balances	9,248,747	8,295,527
Policy and contract claims	1,294,141	1,401,960
Participating policyholder share	161,540	149,970
Other policyholder funds	954,057	959,134

Total policyholder liabilities	14,967,978	14,003,276
Liability for Retirement Benefits	187,436	184,124
Notes payable	122,294	111,922
Other liabilities	363,151	376,863
Separate account liabilities	683,796	561,021
Total liabilities	16,324,655	15,237,206
STOCKHOLDERS EQUITY		
Common stock, \$1.00 par value, Authorized 50,000,000 Issued 30,832,449, Outstanding 26,820,166 shares	30,832	30,832
Additional paid-in capital	11,306	7,552
Accumulated other comprehensive income (loss)	108,830	(221,148)
Retained earnings	3,384,168	3,414,946
Treasury stock, at cost	(98,505)	(98,326)
Total American National stockholders equity	3,436,631	3,133,856
Noncontrolling interest	10,151	8,377
Total equity	3,446,782	3,142,233
Total liabilities and equity	\$ 19,771,437	\$ 18,379,439

See accompanying notes to consolidated financial statements.

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AMERICAN NATIONAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited and in thousands, except for per share data)

		Nine Months Ended September	
		30,	
		2009	2008
Common Stock	Balance at beginning and end of the period	\$ 30,832	\$ 30,832
Additional Paid-In Capital	Balance at beginning of the year	7,552	6,080
	Net issuance of treasury shares as restricted stock	179	(1,139)
	Tax benefit on excess restricted stock	439	
	Amortization of restricted stock	3,136	1,854
	Balance as of September 30,	\$ 11,306	\$ 6,795
Accumulated Other Comprehensive Income (Loss)	Balance at beginning of the year	(221,148)	145,972
	Change in unrealized gains (losses) on marketable securities, net	377,196	(212,633)
	Cumulative adjustment for accounting change		
	Other-than-temporary impairments on debt securities	(50,411)	
	Foreign exchange adjustments	539	(191)
	Minimum pension liability adjustment	2,654	(572)
	Balance as of September 30,	\$ 108,830	\$ (67,424)
Retained Earnings	Balance at beginning of the year	3,414,946	3,653,365
	Net loss	(19,350)	(88,943)
	Cash dividends to common stockholders (\$0.77, and \$0.77 per share)	(61,839)	(61,962)
	Cumulative adjustment for accounting change		
	Other-than-temporary impairments on debt securities	50,411	
	Balance as of September 30,	\$ 3,384,168	\$ 3,502,460
Treasury Stock	Balance at beginning of the year	(98,326)	(99,465)
	Net issuance of restricted stock	(179)	1,139
	Balance as of September 30,	\$ (98,505)	\$ (98,326)

Noncontrolling Interest	Balance at beginning of the year	8,377	4,539
	Contributions	817	1,989
	Distributions	(87)	(393)
	Gain attributable to noncontrolling interest	1,044	2,223
	Balance as of September 30,	\$ 10,151	\$ 8,358
Total Equity	Balance as of September 30,	\$ 3,446,782	\$ 3,382,695

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited and in thousands)	Nine Months Ended September 30,	
	2009	2008
Net loss	\$ (19,350)	\$ (88,943)
Other comprehensive income (loss), net of tax		
Change in unrealized gains (losses) on marketable securities, net	377,196	(212,633)
Foreign exchange adjustments	539	(191)
Minimum pension liability adjustment	2,654	(572)
Total other comprehensive income (loss)	\$ 380,389	\$ (213,396)
Total comprehensive income (loss) attributable to American National Insurance Company and Subsidiaries	\$ 361,039	\$ (302,339)

See accompanying notes to consolidated financial statements.

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AMERICAN NATIONAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Nine Months Ended September	
	30,	
	2009	2008
OPERATING ACTIVITIES		
Net loss	\$ (19,350)	\$ (88,943)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Realized losses on investments	83,144	211,903
Amortization of discounts and premiums on bonds	12,010	12,195
Capitalized interest on policy loans and mortgage loans	(20,705)	(1,273)
Depreciation	26,774	24,274
Interest credited to policy account balances	275,554	223,125
Charges to policy account balances	(129,201)	(126,650)
Deferred federal income tax expense	18,029	52,336
Deferral of policy acquisition costs	(351,349)	(388,079)
Amortization of deferred policy acquisition costs	302,969	317,140
Equity in earnings (losses) of unconsolidated affiliates	(4,627)	9,947
Changes in:		
Policyholder funds liabilities	10,355	347,794
Reinsurance ceded receivables	76,875	(101,438)
Premiums due and other receivables	25,362	(57,970)
Accrued investment income	(1,073)	(4,861)
Current federal income tax liability	49,040	(23,852)
Liability for retirement benefits	3,312	872
Prepaid reinsurance premiums	4,893	(151,314)
Other, net	(7,080)	(11,308)
Net cash provided by operating activities	354,932	243,898
INVESTING ACTIVITIES		
Proceeds from sales of:		
Bonds available-for-sale	33,411	6,132
Common stocks	60,908	65,669
Real estate	4,837	6,151
Other invested assets		4,288
Proceeds from maturities of:		
Bonds available-for-sale	218,595	249,227
Bonds held-to-maturity	510,477	464,574
Principal payments received on:		
Mortgage loans	94,670	124,705
Policy loans	34,215	6,418
Purchases of investments:		
Bonds available-for-sale	(67,584)	(721,590)
Bonds held-to-maturity	(1,128,081)	(642,888)

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Common stocks	(20,517)	(197,932)
Real estate	(80,461)	(67,701)
Mortgage loans	(344,470)	(470,906)
Policy loans	(22,804)	(12,172)
Other invested assets	(10,590)	(21,941)
Net decrease (increase) in short-term investments	(355,312)	442,943
Net decrease (increase) in investment in unconsolidated affiliates	399	(32,386)
Net increase in property and equipment	(10,803)	(14,017)
Net cash used in investing activities	(1,083,110)	(811,426)
FINANCING ACTIVITIES		
Policyholders deposits to policy account balances	1,771,406	1,563,123
Policyholders withdrawals from policy account balances	(964,490)	(1,029,218)
Increase (decrease) in notes payable	10,372	(7,457)
Dividends to stockholders	(61,839)	(61,962)
Net cash provided by financing activities	755,449	464,486
NET INCREASE (DECREASE) IN CASH	27,271	(103,042)
Cash:		
Beginning of the year	66,096	134,069
Balance as of September 30,	\$ 93,367	\$ 31,027

See accompanying notes to consolidated financial statements.

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1. NATURE OF OPERATIONS

American National Insurance Company and its consolidated subsidiaries (collectively American National) operate primarily in the insurance industry. Operating on a multiple product line basis, American National offers a broad line of insurance coverage, including individual and group life, health, and annuities; personal lines property and casualty; and credit insurance. In addition, through non-insurance subsidiaries, American National offers mutual funds and invests in real estate. The majority of revenues are generated by the insurance business. Business is conducted in all states and the District of Columbia, as well as Puerto Rico, Guam and American Samoa. Various distribution systems are utilized, including multiple line, independent third-party marketing organizations, home service, credit, and direct sales to the public.

2. SUMMARY OF SIGNIFICANT ACCOUNTING P